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5. Author(s)

1. Richard Abbott

2.

3.

6. Contributing Organization(s)

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PRIVATIZATION OF FERTILIZER  
MARKETING IN CAMEROON:

A SECOND YEAR ASSESSMENT  
OF THE FERTILIZER  
SUB-SECTOR REFORM PROGRAM

TECHNICAL REPORT

June 1990

**PRIVATIZATION OF FERTILIZER MARKETING IN CAMEROON:  
A SECOND-YEAR ASSESSMENT OF THE FERTILIZER SUB-SECTOR REFORM PROGRAM**

**TECHNICAL REPORT**

**Submitted to**

**The Technical Supervisory Committee  
Government of Cameroon**

**and**

**USAID/Cameroon**

**June 1990**

**by**

**Richard D. Abbott**

**THE AGRICULTURAL MARKETING IMPROVEMENT STRATEGIES PROJECT**

**The University of Idaho/Postharvest Institute of Perishables**

**and**

**Abt Associates**

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## GLOSSARY OF ACRONYMS

- BCCC - Bank of Credit and Commerce Cameroon
- BIAO - Banque Internationale pour l'Afrique Occidentale
- BICIC - Banque Internationale pour le Commerce et l'Industrie de Cameroun
- FSSRP - Fertilizer Subsector Reform Program
- GRC - Government of the Republic of Cameroon
- MESRES - Ministry of Higher Education and Scientific Research
- MINAGRI - Ministry of Agriculture
- MINDIC - Ministry of Industrial and Commercial Development
- MINFI - Ministry of Finance
- MINPAT - Ministry of Plan and Regional Development
- NWCA - North West Cooperative Association
- ONCPB - Office Nationale de Commercialisation des Produits Bruts
- SPNP - Societe de Plantation Nouvelle de Penja
- TSC - Technical Supervisory Committee
- UCAL - Union des Cooperatives du Littoral
- UCCAO - Union Centrale des Cooperatives Agricoles de l'Ouest

## EXECUTIVE SUMMARY

Under the 1989 Fertilizer Sub-Sector Reform Program of Cameroon, 64,171 tons of fertilizer were imported, compared to 63,000 tons in 1988 -- the first year of the program. About 83% of total imports had arrived by the end of October 1989, and the final shipments were unloaded as the 1989 program closed in February 1990. The average CIF cost for all types of fertilizer imported was FCFA 57,872 per ton, only slightly higher than the average of FCFA 57,216 per ton last year.

Participation in the program by commercial banks, importers, and distributors was somewhat greater than in 1988. Two importers participated, one new to the program, and each accounted for approximately half of the imported tonnage. A total of nine distributors took part, of which five were cooperatives and four were private enterprises. For the first time this year, the Center Province was represented, along with the Littoral, West and North West Provinces. Two commercial banks were involved in the 1989 program, one of them financing 83% of all shipments under the program.

Purchase of fertilizers by distributors (mainly coffee cooperatives) was carried out by means of tenders submitted by importers, and selection was primarily on price. The entire process from tender to delivery of fertilizer at Douala took three to four months, though later in the program year there were delays caused by problems in arranging financing.

Due to competition between importers, cost increases to distributors were less than would have been indicated by reduced subsidy levels. Although average subsidy payments per ton decreased 26% compared to 1988, distributors paid only 14% more for the average ton of fertilizer delivered at the port of Douala, indicating that importers' margins were reduced. Distributors also reduced their marketing margins. Retail price levels for all types of fertilizer on a weighted average basis increased only 4%. These averages, however, mask very large differences in costs to individual distributors. For example, one large cooperative paid only half as much per ton for urea as a small cooperative operating in the same area. The large cooperative was also able to bargain for lower transport costs. Resulting variations in retail prices caused serious marketing problems for the small cooperative. While anomalies of this type are inevitable in the transition to a private enterprise system, there are indications that some of the smaller distributors lacked understanding of commercial and banking practices.

The performance of the FSSRP in 1989 and 1990 was and is being strongly affected by the economic crisis in Cameroon. The lack of liquidity in both the public and commercial banking sectors has greatly impeded financing of fertilizer import and distribution. Effective demand for fertilizer has been reduced by the failure of the ONCPB to pay cooperatives and farmers for coffee already delivered. Under the Structural Adjustment Program in Cameroon, settlement of ONCPB arrears in coffee payments has been scheduled and this is vital if fertilizer sales

are to be maintained anywhere near present levels. Generally speaking, the FSSRP importation and distribution loan facility could do little to ameliorate the extremely tight credit squeeze.

Liberalization of coffee marketing has begun in Cameroon and should in time benefit the FSSRP by reducing the role of the ONCPB, making cooperatives more independent of government structures, and permitting them to export coffee and cocoa directly. Financing of fertilizer imports will then become much easier for these cooperatives since they will be able to use the coffee as collateral for loans.

Declining world market prices for coffee and cocoa, from which Cameroonian farmers have been sheltered through ONCPB price policies, are beginning to affect the program with the announcement of drastic reductions in producer prices for 1990. In fact, coffee prices for 1990 are less than half the 1989 levels. While it is too early to predict the effect on fertilizer sales, it seems clear that some reduction in demand will occur. Such information as is available on cost/benefit ratios for fertilizer use on coffee indicate that terms of trade for farmers at present are such that fertilizer use may no longer be beneficial for marginal producers.

In the shorter term, the program experienced problems due to over-optimistic sales expectations by distributors and importers, based largely on last year's performance. This has led to the importation of more fertilizer than could be sold during the 1989-1990 crop year under present tight credit conditions. The result was a scaling back of lifting of fertilizer from the port by distributors, excessive accumulations of fertilizer stocks at the port, and severe financial strains on importers.<sup>1</sup> Importers are likely to be left with substantial unsold stocks until coffee cooperatives are again in the market for fertilizer for the September 1990 application, and possibly not until the March 1991 application.

The concept of the FSSRP is basically sound and seems to be acceptable to most participants. Increased participation by distributors and continued interest by a number of importing firms, as well as fertilizer prices proportionately lower than cost increases caused by reduced subsidies, are encouraging signs that the program is beginning to achieve its objectives.

To assist in making the program more effective, the following recommendations are offered:

<sup>1</sup>This situation has changed since mid-February when this information was collected. See Appendix A for an update.

**Extend subsidies for 1990 at or close to 1989 levels**

This is necessary to cushion the effect on demand for fertilizer of the drastic reduction in producer prices and the continuing arrears in coffee payments to farmers.

**Modify terms of distribution loans to cooperatives**

To make FSSRP distribution loans more useful to distributors, who are seriously constrained by lack of working capital, it is recommended that the reference value for these loans be the full delivered cost of the fertilizer to the farmer, rather than distribution costs only.

**Remove target ceiling prices**

Target ceiling prices are serving no useful purpose as competition has kept prices well below the ceiling levels. Furthermore, target prices are often misinterpreted as firm ceiling prices set by the government, which is counter to the intention of the FSSRP.

**Tighten procedures for subsidy earmarking**

Banks should be required to submit with an earmarking request a firm commitment to issue a Letter of Credit on behalf of the importer. This should avoid the problem experienced in 1989 of importers "locking up" subsidies for 90 days and then being unable to use them due to financing problems.

**Enlarge the market by including the northern provinces**

It is recommended that discussions be initiated with the FED project in the northern provinces aimed at incorporating these provinces in the FSSRP. The enlarged market would attract more importers and distributors and bring down prices by increasing the size of orders to suppliers. Installation of mixing and bagging facilities would more likely become an economic proposition.

A conference/workshop was held in Bamenda, North West Province, February 22/23, 1990 which brought together banks, importers, and distributors participating in the program, members of the Technical Supervisory Committee, and officials of USAID, to review the 1989 program and make proposals for necessary modifications. In addition to adopting the above recommendations, and several other procedural changes, the group resolved that a way should be found for the FSSRP to share a part of the risk of loan defaults. One way would be for the program to contribute on a matching basis to a guarantee fund established by distributors to cover distribution loans.

## INTRODUCTION

This report provides an assessment of the second year (1989) performance of the Fertilizer Sub-Sector Reform Program of Cameroon. It was carried out for the Government of Cameroon and USAID/Cameroon by the AID-funded Agricultural Marketing Improvement Strategies Project. Mr. Richard Abbott of the University of Idaho, Postharvest Institute, authored the report. Its purpose is to assess progress of the program toward the objectives of: (1) progressively liberalizing fertilizer importation and distribution, (2) eliminating fertilizer subsidies in phases, (3) expanding the role of the private sector in the financing, importation and distribution of fertilizers.

Following signing of a grant agreement between AID and the Government of Cameroon in September 1987 for the five-year program, the FSSRP began its first full year of operation in 1988. Sixty-three thousand tons of fertilizer were imported and distributed by the private sector, which involved three importing firms, two commercial banks, and four distributors (all cooperatives). The program appointed a Fiduciary Bank to administer funds for loans and subsidies, and these were disbursed to importers through commercial banks. Subsidies, which had amounted to 65% of delivered cost under the old government-administered scheme, were reduced to 33% of estimated delivered cost in the 1988 program and to 22% of the estimated delivered cost in 1989.

Due to administrative delays, the program got off to a late start and fertilizer arrived in the September 1988 to February 1989 period, much of it too late for the September/October application on coffee trees. Distribution of the imported fertilizer from the port of Douala to cooperatives proceeded relatively smoothly, although sales to farmers (mainly coffee growers) were slowed by delayed payments by the National Produce Marketing Board (ONCPB) for coffee. This problem also made it difficult for several cooperatives to repay loans taken out to purchase fertilizer, since they had advanced fertilizer to members against delivery of coffee.

The 1989 program was launched in March 1989 and closed in February 1990 as the field work for this report was being completed. Slightly more fertilizer was imported than in 1988 -- 64,171 tons -- and participation by the private sector was somewhat greater -- two commercial banks, two importers, and nine distributors (five cooperatives, four private companies). However, as described in this report the crisis in public finance in Cameroon, and its effect on the liquidity of the National Produce Marketing Board and on commercial banks, severely affected the ability of participants to finance the import and distribution of fertilizer in 1989.

Information on the FSSRP used in this report was gathered by the author in Cameroon between January 28 and February 25, 1990, working closely with representatives of the Technical Supervisory Committee of the FSSRP and of USAID/Cameroon. Principal collaborators were the following:

- M. Felix Nkonabang - Director, Sub-Directorate of Agricultural Production, Ministry of Agriculture
- M. Gabriel Ebayah - Charge d'Etudes, Ministry of Plan and Territorial Development
- Dr. Tham Truong - Chief, Office of Economic Analysis and Policy Reform Implementation, USAID/Cameroon
- Mr. Tjip Walker - Coordinator, Policy Reform Implementation and Monitoring Section, USAID/Cameroon

Mr. Walker also prepared many of the tables included in this report. All data presented in these tables was collected from program participants and by the author and Mr. Walker.

The report consists of two sections, the first presenting findings and recommendations emerging from the assessment, and the second consisting of a review of performance of the importation and distribution functions of the program.

The findings, analysis, and recommendations in this report were based on the situation as it existed in January/February 1990. There have been important developments since the end of February; these are summarized in Appendix A. Where relevant, footnotes referring to the update section have been inserted into the report. However, sections dealing with findings and analysis have not been adjusted to reflect these later developments.

Note: This Technical Report also contains an extensive appendix with detailed reports on the performance of each participant in the program.

## PART ONE: FINDINGS AND RECOMMENDATIONS

### 1.1 Progress toward program goals

The goal of the FSSRP is "to establish a private market for the importation, distribution, and financing of fertilizer that is competitive, sustainable, and subsidy-free."<sup>1</sup> Findings with respect to this objective are given below.

**Importation Volume and Cost:** Under the 1989 program, 64,171 tons of fertilizer were imported, compared to 63,000 tons in the previous year. The elapsed time from placement of orders by distributors with importers to delivery of fertilizer at the port of Douala was only about three months, though this period lengthened later in the year when both importers and distributors had difficulty in arranging financing. The CIF cost for all types of fertilizer imported was FCFA 57,872 per ton, only slightly higher than the average of FCFA 57,216 last year.

**Importer Participation:** Two importers participated, one new to the program, and each accounted for approximately half of the imported tonnage. However five other importers made offers which were not accepted, making a total of seven importers involved. This compares to three importers participating during the previous year, though a total of fourteen made offers to distributors.

**Distributor Participation:** There was greater participation at the distribution level in 1989 than in 1988. A total of nine distributors took part, of which five were cooperatives and four were private enterprises. Another six distributors entered into negotiations with importers but for various reasons did not place orders. In 1988, only four cooperatives participated as distributors. For the first time, the Center Province was represented this year, along with the Littoral, West, and North West provinces.

**Commercial Bank Participation:** Two commercial banks participated in the 1989 program, one of them financing over 80% of all imports. These are the same two banks which participated in the 1988 program. A third bank, one which is suffering severe liquidity problems, participated to the extent of issuing a loan guarantee to a distributor.

**Subsidy Levels:** Subsidies were reduced from approximately 33% of estimated delivered cost of fertilizer in 1988 to about 22% in 1989 (for all types of fertilizer and all regions). Since fertilizer costs to importers were lower than expected, and because distribution costs in Cameroon were lower than forecast, subsidies disbursed in 1989 amounted to 35% of actual delivered cost.

<sup>1</sup>FSSRP Project Agreement (amended), Gov't of Cameroon/USAID.

**Fertilizer Cost to Distributors:** The two importers actively competed for orders, with the result that at least some distributors were able to negotiate very advantageous prices. The average CIF value of imported fertilizer was FCFA 43,048 per ton, compared to an average of FCFA 37,849 per ton the previous year. This 14% increase in cost to the distributor is substantially less than the increase of 26% in the cost of imported fertilizer due to the decrease in subsidy levels in 1989. Since importers paid on the average about the same for fertilizer in 1989 as they did in 1988, this means that their gross margins were lower in 1989 than in 1988.

**Fertilizer Prices Paid by Farmers:** On a weighted average basis the price of fertilizer to farmers went up only 4% over 1988, signifying that distributors absorbed about 10% of the 14% increase in cost.<sup>1</sup> In fact available information does indicate reduced margins for cooperative distributors. These average figures, however, mask very large differences in fertilizer cost to individual distributors. In the case of urea, the highest price paid was almost double the lowest. For 20-10-10, the top price was 50% higher than the lowest price. The result has been significant differences in retail prices, especially between large and small cooperatives.

## 1.2 Problems Experienced by the 1989 Program

The 1989 FSSRP program experienced a number of interrelated problems caused by the economic crisis Cameroon is undergoing.

**Lack of liquidity:** The performance of the FSSRP in 1989 and 1990 was and is being strongly affected by the economic crisis in Cameroon. The lack of liquidity in both the public and commercial sectors, beginning with the ONCPB and extending to commercial banks and cooperative distributors, has greatly impeded financing of fertilizer import and distribution. Settlement of ONCPB arrears in coffee payments to cooperatives at the earliest possible moment is vital if fertilizer sales are to be maintained anywhere near present levels. Liberalization of coffee marketing has begun in Cameroon and could in time benefit the FSSRP by reducing the role of the ONCPB, making cooperatives more independent of government structures, and permitting them to export coffee and cocoa directly.

**Lack of working capital by cooperative distributors:** As was the case in 1988, cooperatives generally remain short of working capital due to ONCPB payment arrears for coffee, estimated at FCFA 6.5 billion as of February 1990. (In some cases, management deficiencies are also involved.) Cooperatives had difficulty arranging bank financing to pay importers for ordered fertilizer, particularly after banks stopped accepting ONCPB payment guarantees. The result has been that cooperatives generally have

Though cooperatives benefitted from reduced truck transportation costs in 1989 compared to 1988.

had to lift fertilizer from the port at a rate determined by availability of cash to pay for it -- and below the rate specified in their contracts with importers.

**Declining coffee prices:** Declining world market prices for coffee (and cocoa), from which Cameroonian farmers have been sheltered by ONCPB price policies, are beginning to affect the program with the announcement of sharp reductions in producer prices for 1990. While it is too early to predict the effect on fertilizer sales, it seems clear that some reduction in demand will occur.

**Accumulation of unsold fertilizer stocks:** Very large stocks of fertilizer had accumulated at the port of Douala -- approximately 39,000 tons or more than 60% of total imports under the 1989 program -- as of mid-February 1990. (It should be noted that 11,000 tons of this amount -- 17% of all fertilizer imported -- had only recently been unloaded at Douala.) For reasons already noted, cooperatives are picking up fertilizer from the port at a slower rate than provided for in their contracts with importers. Also slowing retrieval of fertilizer from the port are unwieldy procedures imposed by banks to control movement of the product -- which in many cases is pledged as collateral to the banks. Substantial port storage charges are being incurred and deterioration of the fertilizer, most of which is stored outside, is occurring. Liability for these charges could become a point of contention between importers and distributors. Finally, substantial interest charges are accumulating on loans taken out by the importers, eroding the profitability of their operations.<sup>1</sup>

**Over-optimistic ordering of fertilizer:** The two importers operating during the 1989 program appear to have based their level of imports on over-optimistic assumptions about the fertilizer market, perhaps because of successful experience in 1988 when the economic environment was less troubled. Their marketing plans were generally based on prospective contracts with distributors, many of which did not materialize. Competition between the two importers may also have led to some rash decisions. Several distributors ordered more fertilizer than they will be able to dispose of during the 1989/90 crop year (ending in April 1990). There are several reasons for this: (1) expectations were high based on the relatively smooth process of ordering and selling fertilizer the previous year, (2) they wanted to take advantage of the higher level of subsidies before they were reduced in 1990, (3) fertilizer reached coffee cooperatives in some cases too late for the September application on coffee, resulting in carry-over of stocks, and (4) the announcement in October and November 1989 of sharply reduced coffee and cocoa prices for the coming season leading many planters to reduce their purchases of fertilizer. As a result, some distributors are not honoring signed purchase contracts. As of mid-February 1990 it was apparent that a portion of the stocks currently held by importers in Douala will not be sold for some time.

By April 1990 the problem of accumulated stocks at the port of Douala had been largely resolved, with less than 10,000 tons left in the port.

We conclude that the concept of the FSSRP continues to prove basically sound and is acceptable to most participants. Increased participation by distributors and continued interest by a number of importing firms, as well as fertilizer prices proportionately lower than cost increases caused by reduced subsidies, are encouraging signs that the program is beginning to achieve its objectives. Some changes are, however, needed to make it more effective and these are dealt with below.

### 1.3 Recommendations

- 1. Extend subsidies for 1990 at or close to 1989 levels:** Demand for fertilizer, already affected by delayed payments for coffee and cocoa and now beginning to be affected by reductions in producer prices for coffee and cocoa, will be further diminished if the subsidy level is reduced to about 10% as planned. It is accordingly recommended that the subsidy level be continued at or near the 1989 level to cushion the effect of reduced inputs on farmers' coffee production. It is likely that the higher than planned subsidy rate can be compensated for in part by reduced demand for fertilizer imports in 1990 -- possibly to less than 50,000 tons -- with proportionately reduced demand for subsidies.
- 2. Modify terms and conditions for distribution loans to cooperatives:** Purchases of fertilizer by cooperatives, the principle distributors of fertilizer under the program to date, are seriously constrained by lack of working capital. This situation will continue until ONCPB arrears are settled and until coffee and cocoa marketing is liberalized and cooperatives have control of proceeds from exports. In the meantime some way must be found to provide liquidity to the system so as to keep fertilizer moving to the farmer. Distribution loans as currently defined have not yet been utilized by cooperatives, and in any case are of limited value since they finance only distribution costs. It is recommended that the reference value for distribution loans be the full delivered cost of the fertilizer to the farmer. How such loans would be secured should be a matter for discussion among banks, importers and distributors. Arrangements should include some form of risk-sharing among participants.
- 3. Remove target ceiling prices:** Target ceiling prices are serving no useful purpose and should be abolished. Sale prices for all types of fertilizer, except in some instances for ammonium sulfate, are well below the target levels. There are not likely to be abuses of the system by anyone selling at exorbitant prices. Competition between importers can be expected to keep wholesale prices to distributors down, and in fact competition between distributors is beginning to have an effect on keeping retail prices down. Even in the case of ammonium sulfate, where cooperatives' actual costs are at or slightly above the target price, the effect of target prices is counter-productive since it makes it difficult for cooperatives to discourage its use by setting higher prices. Finally, it has been noted that target prices are often misinterpreted as firm ceiling prices set by the government, thus reinforcing the idea that the government is still directly involved in fertilizer marketing. Removal of target prices would be consistent with recent government policy statements

about continued liberalization of fertilizer marketing. (Note: since target prices would not be available in the future as a basis of calculation of reference values for distribution loans, data on actual transportation and handling costs would have to be compiled for this purpose.)

**4. Tighten procedures for subsidy earmarking:** During 1989, importers sought to "tie up" subsidy earmarkings by submitting requests as early as possible in the program year, and not supporting them with adequate marketing plans. Early in the season, banks tended to pass on these requests to the Fiduciary Bank with minimal investigation of marketing plans. It is recommended that banks be required to submit with each earmarking request a firm commitment to issue a letter of credit on behalf of the importer in question provided stated conditions are met. If such a commitment was not executed by a certain date, say 45 days after earmarking, the earmarking would be canceled. There is also a need for discussion among participants about marketing plans which importers and distributors are required to submit with loan requests. Clarification is needed as to the responsibility which banks bear for appraising and approving these plans.

**5. Enlarge the market by including the northern provinces:** The total market for fertilizer in Cameroon is estimated at 100,000 to 120,000 tons, including fertilizer imported by state and private plantations, and under the FED program in the northern provinces. If this enlarged market were available to participants in the program, it would attract more importers and distributors and bring down prices by increasing the size of orders to suppliers. Installation of mixing and bagging facilities would be more economic. It is recommended that the TSC open discussions with the FED with a view to combining the two programs. All fertilizer being imported in Cameroon would then pass through eligible importers and distributors under the FSSRP.

**6. Provide better information on fertilizer importation and marketing procedures for importers and distributors:** It is apparent that some of the smaller distributors participating in the program were not sufficiently informed of FSSRP provisions. Some are also not familiar with contract forms and negotiating practices or with banking practices. Importers who have not yet participated in the program also lack information on FSSRP provisions. It is recommended that a seminar/workshop be held early in the program year which would be open to any interested importers and distributors and would cover such matters as:

- explanation of FSSRP loan procedures, interest rates, etc.;
- commercial bank lending practices;
- effect of size of order on fertilizer price;
- model contracts between importers and distributors containing clauses on quality of product, penalties for late deliveries, compensation for losses, etc.

**7. Improve information flow between banks:** One of the two commercial banks involved in the program has suggested that exchanges of information with the Fiduciary Bank could be improved if standard forms were developed

for all interbank transactions under the FSSRP. This should be the subject of discussion between the banks concerned.

#### 1.4 Actions on Recommendations in the First Annual Assessment

As part of the first annual review of the FSSRP (1988 program) conducted by this consultant, a series of recommendations for changes were presented. The status of actions taken to implement these recommendations is reviewed below.

##### **Provide liquidity to the coffee sector.**

The lack of liquidity in the coffee sector remains a serious problem affecting both coffee cooperatives and commercial banks. Recommendation No. 2 above attempts to deal with this problem by making FSSRP loan funds more readily available to distributors. Restructuring of the public finance sector which is taking place under the Structural Adjustment Program is reducing ONCPB arrears for coffee purchases and eventually will restore liquidity to commercial banks. Likewise, liberalization of coffee marketing will ultimately contribute to increasing liquidity by putting coffee export earnings directly in the hands of coffee cooperatives and processors.

##### **Adhere to the prescribed annual launch date of the FSSRP.**

Adherence to the planned annual January 1 launch date for the program is no longer necessary. The 1990 program will be launched in March, and this does not appear to present a problem for participants. Fertilizer stock carry-overs from the previous year at the cooperative distributor level have proved in most cases to be sufficient for the March application on coffee trees. Should no further slippage in the launch date occur, shipments should arrive in time for the September application.

##### **Improve the flow of information on the FSSRP program.**

The recommended illustrated brochure describing the FSSRP was not prepared, and in fact there remains a lack of understanding of the program by participants, particularly by new and prospective distributors and importers. Recommendation No. 6 above concerning a seminar or seminars should be implemented soon as a first step in improving the flow of information. Based on issues at that time, the scope and content of a brochure can be determined.

##### **Prepare demand studies.**

While no demand studies, as such, have yet been prepared, the October 1989 AMIS report on fertilizer utilization practices in Cameroon makes detailed recommendations for surveys which would gather information on factors affecting demand at the farm level.

##### **Create secretariat attached to the technical supervisory committee.**

As of February 1990, detailed plans had been drawn up for such a "Technical Support Unit" along the lines recommended, but funding had not yet been arranged.

### **Support development of coffee cooperatives.**

This recommendation is being acted upon at several levels. Recent decrees by the Government of Cameroon have begun liberalization of robusta coffee and cocoa marketing by turning over to cooperatives some functions formerly carried out by the ONCPB. AID has also under study a program to assist in liberalizing arabica coffee marketing in two provinces of Cameroon.

### **1.5 The Bamenda Conference**

The above recommendations were discussed along with many other issues at a seminar organized by the Technical Supervisory Committee for all FSSRP participants held at Bamenda, North West Province, February 22 and 23, 1990. Decisions on key points, as listed below, were referred to the TSC for action. The first six recommendations of this report were accepted by participants. (The seventh point, regarding standard forms for interbank transactions, was not discussed). The participants also recommended three other actions:

1. Due to the unusual economic conditions in Cameroon, a way should be found for the FSSRP to share a portion of the risk of loan defaults. One way would be to assist distributors in arranging credit for fertilizer purchases by creating at commercial banks guarantee funds of which the distributor would initially contribute 50% and the FSSRP 50%. In future years, the contribution of the distributor would increase relative to that of the program until the program is no longer involved.
2. The term of importation loans to be changed from 90 days to 120 days to avoid the problem of the loans coming due before importation and sale of the fertilizer can be completed by the importer.
3. The TSC is to establish a procedure for handling requests for subsidy earmarking in excess of available funds.

## PART TWO: PERFORMANCE OF THE FSSRP IN 1989

### 2.1 Importation of Fertilizer

#### 2.1.1 Participation by Importers

Two importers -- CAMATREX and IBEX -- participated in the 1989 FSSRP program, each accounting for approximately half of the imported tonnage. IBEX is a new company, established in 1989, and was participating for the first time. Five other importers made offers which were not accepted, making a total of seven importers involved in some way in the program. Several of these other importers had outstanding offers to distributors as the 1989 program ended, and these could be finalized in 1990.

There were three importers in 1988 -- CAMATREX, ADER, and Aminou, and an additional eleven firms made offers to distributors.

#### 2.1.2 Fertilizer Shipments

A total of 64,171 tons of fertilizer was imported in 1989, compared to 63,000 tons in the previous year. By the end of October about 53,000 tons (83% of the total) had arrived at the port of Douala. The final two shipments arrived as the program closed at mid-February 1990. This was less than the target of 75,000 tons for which subsidies had been provided. An unfavorable economic climate, discussed elsewhere in this report, was responsible for lower than expected imports.

The record of shipments appears in Exhibit 1. The 1989 program was launched in March, subsidies were earmarked between June and October 1989 and fertilizer shipments cleared customs between August 1989 and February 1990.

The weighted average price for all types of fertilizer did not increase from 1988 to 1989, reflecting a generally flat price trend in the world fertilizer market during the past year. Average CIF prices paid for NPK 20-10-10 and urea, the two largest categories, were almost identical for 1988 and 1989, and the average paid for all types of fertilizer for the two years is likewise almost identical.

#### 2.1.3 Use of Importation Loan Facility

The status of importation loans is shown in Exhibit 2. Of the nine import loans, Meridien Bank handled seven and BICIC two. In accordance with FSSRP regulations, the Fiduciary Bank disbursed loans equal to 50% of the CIF value. (The total amount of loans disbursed is slightly less than 50% since in one instance the importer applied for a loan for less than he was entitled to.) The missing loan numbers represent loans for which earmarking expired before they could be used. As of mid-February, loans

Exhibit 1

Fertilizer Imports, 1989 Program  
(in order of customs clearance)

Shipment <u>No.</u>	<u>Importer</u>	<u>Type</u>	<u>Tons</u>	<u>Arrival Date</u>	<u>Customs Clearance</u>
1	CAMATREX	20-10-10	11,000	Aug 23,89	Aug 23,89
2	CAMATREX	Urea	11,000	Sep 7,89	Sept 8,89
3	IBEX	Urea	4,991	Oct 9,89	Oct 13,89
		AmmonSulf	3,000	Oct 9,89	Oct 19,89
4	IBEX	20-10-10	2,730	Oct 14,89	Oct 20,89
5	CAMATREX	AmmonSulf	11,000	Oct 12,89	Oct 20,89
6	IBEX	Urea	8,950	Oct 16,89	Oct 31,89
7	IBEX	12-6-20	500	Oct 7,89	Nov 1,89
8	IBEX	20-10-10	5,500	Jan 10,90	Feb 2,90
9	IBEX	20-10-10	4,000	Feb 5,90	Feb 10,90
		12-6-20	<u>1,500</u>	Feb 5,90	Feb 10,90
<b>Total</b>			<b>64,171</b>		

**Exhibit 2**  
**Importation Loan Status**  
**(as of 31 January 1990)**

<u>Loan No.</u>	<u>Commercial Bank</u>	<u>Importer</u>	<u>CIF Value 000 FCFA</u>	<u>Loan Disbursed 000 FCFA</u>	<u>Date Disbursed</u>	<u>Date Repaid</u>
89-1	Meridien	CAMATREX	670,000	335,000	30 Aug 89	28 Nov 89
89-2	Meridien	CAMATREX	611,650	300,750	25 Sep 89	26 Dec 89
89-3	Meridien	IBEX	181,545	90,750	10 Nov 89	8 Feb 90
89-4	Meridien	IBEX	33,250	16,625	10 Nov 89	8 Feb 90
89-6	Meridien	IBEX	789,269	394,635	10 Nov 89	8 Feb 90
89-7	Meridien	IBEX	129,540	64,770	10 Nov 89	5 Feb 90
89-9	Meridien	CAMATREX	417,500	208,750	6 Nov 89	5 Feb 90
89-10	BICIC	IBEX	365,750	182,875	10 Jan 90	open
89-12	BICIC	IBEX	<u>365,750</u>	<u>182,875</u>	10 Jan 90	open
			<b>3,564,254</b>	<b>1,777,030</b>		

for the final two shipments arriving in January and February 1990 were still outstanding.

Importation loans are due 90 days from date of disbursement. These dates were scrupulously observed by the commercial banks since they were covered by promissory notes issued to the Fiduciary Bank for the full amount. As noted elsewhere in this report, under conditions prevailing in 1989 the 90-day period proved to be too short as importers were required to pay back these working capital loans often before they could sell the fertilizer.

In practice, FSSRP importation loans are not being used directly to finance importation of fertilizer. Imports are financed by Letters of Credit opened by commercial banks on behalf of importers and payable to suppliers. As collateral for these L/Cs banks are requiring -- in addition to FSSRP subsidies -- some combination of foreign bank guarantees, bills of exchange countersigned by local banks, ONCPB payment guarantees against coffee deliveries, or pledges of the imported fertilizer. FSSRP importation loans are regarded by commercial banks and importers as short-term working capital loans whose value lies in increasing the current cash position of the importing companies.

#### 2.1.4 Use of the Subsidy Fund

Unit subsidy rates are announced at the beginning of each year's program for each of the five types of fertilizer covered under the program. (See Appendix F for 1989 schedule of subsidies.)

Importers submit subsidy earmarking requests based on submission of either (1) signed contracts with distributors or (2) a marketing plan plus signed contracts with suppliers. Subsidies are disbursed to importers through commercial banks upon notification of the ship's arrival. Total subsidies disbursed in 1989 amounted to FCFA 1,544,892,510, or an average of FCFA 24,075 per ton. This is a 25% reduction over the average of FCFA 32,170 per ton in 1988.

Subsidy rates for the 1988 and 1989 programs for the three principal types of fertilizer imported are compared in Exhibit 3. The figures are based on data available from five distributors, and does not include NPK 12-06-20 since these distributors purchased virtually none of this type of fertilizer. Average costs shown are in every case weighted averages.

In 1989 the farmgate price of the three types was subsidized to the extent of 35.6% of the average delivered cost, compared to 43.4% in 1988, a decline of some 21% for these types of fertilizers and for these distributors. In terms of percent of average CIF cost, subsidies amounted to 43.5% in 1989 and 51.3% in 1988. Subsidies expressed as a percentage of estimated delivered costs, derived before the program year began,

**Exhibit 3**  
**Subsidy Rates Based on Actual Costs, 1988 and 1989**  
**(FCFA/ton)**

<u>Fertilizer Type</u>	<u>Average CIF Value</u>	<u>Average Distrib. Cost</u>	<u>Average Delivered Cost</u>	<u>Subsidy</u>	<u>Subsidy as % of CIF</u>	<u>Subsidy as % of Deliv'd Cost</u>	<u>Subsidy as % of Estimated Deliv'd Cost</u>
---1989 Program---							
20-10-10	63,853	13,494	77,347	28,200	44.2	36.5	24.7
Urea	56,159	14,829	70,998	23,800	42.3	33.5	24.9
AmmonSulf	42,080	18,111	60,191	17,300	44.1	28.7	22.6
Wt'd Ave.	55,189	14,759	69,948	24,923	45.2	35.6	24.3
---1988 Program---							
20-10-10	32,650	16,574	79,224	36,600	58.4	46.2	33.7
Urea	51,250	17,731	68,981	27,500	53.7	39.3	32.4
AmmonSulf	39,643	20,158	37,889	23,800	60.0	62.8	32.7
Wt'd Ave.	54,967	17,586	72,553	31,504	57.3	43.4	33.1

differ considerably since distribution costs and fertilizer import costs were lower than expected. On a weighted average basis for the four provinces participating in 1989 program year, subsidies were 24.3% of estimated delivered cost for the three main types of fertilizer.

Status of the FSSRP subsidy fund as of the end of the 1989 program appears in Exhibit 4. The approximately FCFA 2 billion which was available for the year would have been sufficient to cover imports in excess of 80,000 tons. However actual imports were much lower, leaving a balance in the subsidy fund of over FCFA 638 million. It is planned to roll over the unused subsidy funds into the 1990 program.

Exhibit 4  
Status of the FSSRP Subsidy Fund  
(at the end of the 1989 program year)

Amount deposited, beginning of year....	FCFA 1,900,000,000
Interest earned.....	283,458,480
Total .....	2,183,458,480
Amount disbursed.....	1,544,892,510
Balance available, end of year.....	638,565,982

During 1989, importers took advantage of FSSRP rules concerning earmarking of subsidy funds by applying for more earmarking than they were sure of being able to use. In fact, the two importers involved in the program competed for available subsidies, since to compete in prices on an even basis both had to have assured access to subsidies. As noted above, FSSRP regulations require the importer to submit some combination of contracts with suppliers or distributors and/or a marketing plan for the stated tonnage to be imported. It appears that distributor contracts, which were for tonnages far in excess of what was eventually imported, were open-ended or adjustable and were used as a device to assure earmarking of subsidies. As it worked out, in several instances importers never imported the indicated amounts. As a result the unused earmarked subsidies were tied up for the 90 day period allowed, and were not available to other importers.

## 2.2 Distribution of Fertilizer

### 2.2.1 Participation by Distributors

There was greater participation at the distribution level in 1989 than in 1988. As shown below, a total of nine distributors took part, of which the first five listed are cooperatives and the final four are private enterprises. This compares with four cooperatives distributing in 1988. For the first time, the Center and South West Provinces were represented this year, along with the Littoral, West, and North West provinces.

<u>Distributor</u>	<u>Province</u>	<u>1988</u>	<u>1989</u>
UCCAO	West	x	x
NWCA	North West	x	x
UCAL	Littoral	x	x
COOPROVINOUN	West	x	x
UCAC	Center		x
SPNP	Littoral		x
Groupe One	Center		x
SOCOTRA	Littoral		x
FOGACAM	Center		x

Among the private enterprises, two (Groupe One and FOGACAM) are small trading companies and one (SOCOTRA) is a trucking company. SPNP is a banana plantation importing fertilizer for its own account. Another six distributors entered into negotiations with importers but for various reasons did not place orders.

Distribution by province is compared for 1988 and 1989 in Exhibit 5 below.

Exhibit 5  
Fertilizer Orders by Province, 1988 and 1989

<u>Province</u>	<u>1988</u>		<u>1989</u>	
	<u>Tons</u>	<u>%</u>	<u>Tons</u>	<u>%</u>
West	35,000	56	26,000	42
Littoral	21,000	33	14,800	24
North West	7,000	11	9,900	16
Center	-	-	11,300	18

Distribution was spread over four provinces in 1989 compared to three in 1988. The West Province continues to be the dominant consumer of fertilizer. It should be emphasized that these are orders, not actual deliveries. (See discussion below.) It is not yet known where importers will dispose of stocks not represented by firm orders and this would also tend to alter the percentage distribution.

### 2.2.2 Ordering and Delivery of Fertilizer to Distributors

The larger cooperatives -- UCCAO and NWCA -- issued public calls for tenders, while the others relied on direct contact with importers known to be actively involved in fertilizer importation. All but one of the contracts with importers called for delivery FOT (Freight on Truck) at the port of Douala, and typically specified tonnages and prices, delivery time from date of order and penalties for late delivery, terms of payment, and fixed the rate of lifting from the port by the distributor. Payment terms varied greatly, including cash on delivery, scheduled payments by guaranteed bank drafts or bills of exchange, and pledges of the delivered fertilizer.

Tonnages ordered were fixed by contracts negotiated with importers, but in practice amounts purchased often varied from the stated amount. In some cases, distributors cancelled contracts or purchased only a fraction of the agreed amounts due to difficulty in arranging financing. Importers also were in a few instances unable to import desired quantities due to financial constraints. One outcome of this situation was that imports did not accurately match demand. For example, there was an excess supply of ammonium sulfate, while a shortage of NPK 20-10-10 developed.

As of mid-February, a sizeable tonnage of fertilizer imported under the 1989 program was not covered by firm orders and importers were actively seeking other outlets for these stocks. In one case an importer proposed to place fertilizer on consignment in a cooperative's warehouse under the control of an importer's employee. In another case an importer had begun selling fertilizer at retail in one province. It can be expected that importers will exert every effort to dispose of these stocks by whatever means is available to avoid storage costs and deterioration of the fertilizer. It seems likely, however, that there will be some carry-over of importers' stocks until the fall 1990 application on coffee trees.

### 2.2.3 Disposition of Fertilizer Stocks by Distributors

Disposition of fertilizer ordered by the five cooperatives is shown in Exhibit 6. For the most part, cooperative unions arranged for transport of fertilizer from the port of Douala directly to warehouses of member cooperatives, holding minimum stocks at the union level. As of mid-February 1990, only 31% of the ordered fertilizer had been collected from the port by distributors. Ninety percent of this 16,748 tons, or 15,197 tons, had reached the cooperative level for retail sale to members

(or had been sold to other customers by the cooperative). It was not possible in the time available to determine how much of this fertilizer was sold to farmers and how much remains in cooperative warehouses. As of mid-February, NWCA had received none of the 20-10-10 ordered and faced a serious shortage of this product for the March application on coffee trees.

#### Exhibit 6

#### Disposition of Stocks by Cooperatives (as of 15 February 1990) (tons)

<u>Cooperative Level</u>	<u>Total Ordered</u>	<u>Collected by Coop Union</u>	<u>Received at Coop Level</u>	<u>Stocks Remaining, Union Level</u>
UCCAO	15,000	8,435	6,184	2,251
NWCA	10,000	2,800	2,800	-
UCAL	10,000	3,256	2,956	300
COOPROVINOUN	11,000	-	2,257	1,277
UCAC	8,000	1,000	1,000	-
Totals	<u>54,000</u>	<u>16,748</u>	<u>15,197</u>	<u>3,828</u>

- Notes: (1) NWCA is a three-level cooperative so figures in third and fourth columns refer to apex level and union level respectively.  
(2) COOPROVINOUN is a single level cooperative. Remaining stocks are at cooperative level.

Comparable figures for 1988 fertilizer show that by February 1990, virtually all fertilizer imported under the 1988 program has reached the cooperative level and had been sold to farmers.

#### 2.2.4 Financing of Distribution Costs

Under the FSSRP, distribution loans were designed to finance transportation and handling costs connected with the movement of fertilizer by distributors or importer/distributors from the port to the farm gate. Eligible entities may apply for a 180-day loan equal to 50% of the target farmgate price plus subsidy minus CIF import value. If taken out by an importer/distributor, the import loan for the same shipment must first be repaid.

As of mid-February 1990 there were two applications pending for this type of loan but none had been granted. One request by an importer was turned down by the bank for lack of a valid marketing plan. Another application from a cooperative distributor was made through a bank which has practically ceased operations and no action has been taken. In another case, a small cooperative engaged in marketing food crops applied through a commercial bank for a loan to cover the delivered cost of a portion of his fertilizer order. The cooperative claims that it expected that it would be granted an FSSRP distribution loan at the concessionary rate of 8.5%, but what it got (for reasons which are not clear) was a commercial loan at 18%.<sup>1</sup>

It was hoped that the distribution loan facility would make it possible for entrepreneurs to go into the fertilizer distribution business. Under the current conditions in Cameroon, most distributors who might be interested in participating cannot meet the stringent collateral requirements imposed by banks and cannot qualify for distribution loans.

#### 2.2.5 Fertilizer Prices and Margins

Competition for orders between the two importers kept price increases in 1989 below what they would have been if importers had passed on the full increase (26%) due to reduced subsidy levels. Gross margins for importers were therefore reduced compared to 1988 levels. As indicated in Exhibit 7, the weighted average price increase over 1988 at the distributor level (that is, increase in fertilizer cost to distributors) for all types of fertilizer was 13.7%.

Distributors also reduced their margins to keep cost increases to the farmer as low as possible. It is interesting to note in Exhibit 3 that average distribution costs for the five distributors declined from FCFA 17,586 per ton in 1988 to FCFA 14,759 per ton in 1989, a drop of 16%. This may be attributed in part to a marked reduction in truck transport rates due to a drop in demand for these services, caused in turn by the economic crisis. A reduction in double-handling of fertilizer may also be responsible, as the larger cooperatives trucked somewhat more fertilizer directly to warehouses of member cooperatives in 1989 and less to warehouses at the union level.

The weighted average of retail prices established by distributors for all types of fertilizers in 1989 was only 4.2% higher than in 1988. This is demonstrated by data available for four cooperatives and one private distributor which indicate that gross margins were about 26% in 1989 compared to about 32% for the four cooperative distributors in 1988.

This problem has been resolved since mid-February, when information for this report was collected. See Appendix A.

It should be pointed out that these average figures for fertilizer costs and prices mask very large variations among distributors derived from differing bargaining power of the distributors vis-a-vis importers. For example, prices paid by distributors for urea varied from FCFA 28,879 per ton to FCFA 55,000 per ton. For 20-10-10 the low was FCFA 37,000 per ton and the high was FCFA 55,000.

Retail prices varied by location depending on transport cost from Douala, but also on marketing margins realized by distributors. Prices for a 50 kg. sack of urea varied from FCFA 2500 to 3520, while those for 20-10-10 ranged from FCFA 2500 to 3689. In one case a small cooperative was attempting to sell fertilizer at prices FCFA 330 per sack higher than a neighboring large cooperative which had purchased its fertilizer at much lower prices. This created a serious problem for the small cooperative.

Exhibit 7  
Fertilizer Costs and Prices, 1988-1989  
(FCFA/ton)

Fertilizer Type	Cost to Distributors			Price to Farmers		
	1988	1989	% change	1988	1989	% change
20-10-10	39,015	45,625	+16.9	55,589	59,119	+6.4
Urea	36,539	40,315	+10.3	54,270	55,009	+1.4
AmmonSulfate	36,716	39,131	+6.6	56,874	57,242	+0.6
W'td Ave.	37,849	43,048	+13.7	55,435	57,776	+4.2

- Notes: (1) 1988 figures based on data from UCAL, UCCAO, NWCA and COOPROVINOUN.  
 (2) 1989 figures from same four cooperatives, plus SOCOTRA, a private distributor.  
 (3) Data is based on orders, which were not the same as actual deliveries.

Certainly, variations in prices according to transport costs are to be expected in a free-market situation. The price difference between the large and small cooperative is at least partly due to lack of negotiating skill on the part of the small cooperative. Such anomalies can be expected to resolve themselves as information on fertilizer marketing practices and prices becomes more widespread. (See also recommendation on workshop for small importers and distributors.)

## APPENDICES

## APPENDIX A RECENT DEVELOPMENTS IN THE FSSRP

Since mid-February 1990, when the information reported in the body of this report was collected, there have been several crucial developments related to the conclusion of the second year of operations. The key events are presented in summary form below. Further analysis and discussion of these events will be contained in the review of the third year of operations.

### **Two distribution loans were released**

Meridien Bank applied to the Fiduciary Bank for two distribution loans on behalf of two clients: CAMATREX and COOPROVINOUN. The loan request for CAMATREX was for FCFA 191 million and was intended to facilitate CAMATREX's distribution of its 11,000 tons of ammonium sulfate. The request for COOPROVINOUN was for FCFA 49,256,250 to cover the cost associated with distributing the 12,500 tons of fertilizer they had on hand. Meridien stated that once the distribution loan was granted, they would renegotiate the terms of their credit line to COOPROVINOUN and retroactively reduce the interest rate from the commercial rate of 18 percent to the FSSRP preferential rate of 8.5 percent.

### **Port charge problem was resolved**

Through the good offices of the TSC, the interested parties (the importers, Meridien Bank, the stevedoring companies, and the port authority) negotiated a settlement to the mounting port charges being assessed to the two importers. The charges were negotiated down from approximately FCFA 700 million per importer to an average of FCFA 25 million. The amounts were paid by the importers and the stevedoring companies removed their prohibition on movements of fertilizer out of the port.

### **Progress but no resolution of CAMATREX's working capital needs**

Despite requesting a distribution loan for CAMATREX, Meridien Bank decided not to make the principal of the loan (FCFA 191 million) available to CAMATREX because they did not want to increase their exposure to their client. In a series of meetings with the bank and with CAMATREX and through follow-up communications, the TSC and USAID tried to negotiate a compromise. Although Meridien was unwilling to agree to all the elements of the proposed compromise, they did show some flexibility. Meridien agreed to pay the negotiated level of port charges out of the distribution loan and agreed to remove their custody of all the remaining fertilizer located within the port (a small quantity of NPK 20-10-10 and the remaining ammonium sulfate). Meridien still held custody to over 4000 tons of urea stocked in a warehouse in Bonaberi.

### **Resolution of UCAC/UCAL Payment Delays**

As of January 15, 1990, ONCPB, the guarantor of the purchases by UCAC and UCAL, was in default; it could not make the payments due for the fertilizer orders by UCAC and UCAL. To resolve the problem, ONCPB proposed a series of installment payments stretching over 90 days. This

was unacceptable to IBEX's supplier, who was holding the ONCPB traites. Eventually, through the intervention of the TSC and USAID, ONCPB paid its outstanding debt in full.

One consequence of ONCPB's full payment was its decision to reallocate part of UCAC and UCAL's orders to SOWEFCU and NWCA. This decision was apparently based on four factors: (1) a question as to whether UCAC and UCAL really needed their full orders in light of slack demand since the coffee and cocoa price reductions were announced, (2) in UCAC's case, concern that the cooperative would not provide ONCPB sufficient produce to cover the cost of the 8000 tons of fertilizer, (3) the expressed need by SOWEFCU for fertilizer and by NWCA for NPK 20-10-10 to make up for the product CAMATREX was unable to deliver, and (4) that directing fertilizer to SOWEFCU and NWCA would help to reduce ONCPB's high arrears to the two cooperatives.

The impact of ONCPB's decision on the disposition of IBEX stocks is shown in Exhibit A-1.

**Removal of administrative restrictions on moving fertilizer out of the port of Douala**

With resolution of the port charges problem, removal of Meridien's custody over CAMATREX's fertilizer in the port, and full payment by ONCPB for the purchases it had guaranteed meant that both importers no longer had any administrative restrictions on delivering their fertilizer. As a result, CAMATREX was able to complete its deliveries of NPK to UCCAO, and NWCA and SOWEFCU were able to start lifting fertilizer from the port. Although CAMATREX has found few customers for its ammonium sulfate, it appeared by early May that the huge fertilizer stock problem that existed in February was well on its way to resolution.

Note: The above information was supplied to the AMIS Project by Mr. Tjip Walker of USAID/Cameroon.

**EXHIBIT A - 1**  
**DISPOSITION OF STOCK IBEX**  
**AS AT 7TH MAY 1990**

	N.P.K. 20.10.10. TCNS	N.P.K. 12.06.20. TONS	N.P.K. 10.30.10. TONS	UREA TONS	AMMONIUM SULPHATE TONS	TOTAL TONS	TOTAL LIFTED TONS	REMAINING TO BE COLLECTED - TONS
<b>TOTAL IMPORT</b>	12 230	2 000	-0-	13 941.5	3 000	31 171.5	21 363.15	9 808.35
<b>SALES COMMITMENTS</b>								
- UCAL	4 500	500	-0-	4 000	1 000	10 000	6 740	3 260
- UCAC	1 000	55	-0-	1 000	50	2 105	1 551	554
- MWCA LTD	4 500	-0-	-0-	-0-	-0-	4 500	923	3 577
- SOMEFCU LTD	2 000	-0-	-0-	1 000	2 000	5 000	847	4 153
- S.P.N.P.	305	1 039	-0-	562	-0-	1 906	1 566	340
- GROUPE ONE CAMEROON	-0-	-0-	-0-	1 351	-0-	1 351	1 351	-0-
- OTHERS	919.1	03.7	-0-	6 983.85	478.5	8 385.15	8 385.15	-0-
<b>TOTAL SALES</b>	13 224.1	1 597.7	-0-	14 896.85	3 528.5	33 247.15	21 363.15	11 884
- UNCOMMITTED	-0-	402.3	-0-	-0-	-0-	-0-	-0-	-0-
- TO BE ORDERED	994.1		-0-	955.35	528.5	2 075.65	-0-	-0-

## APPENDIX B

### SUBSIDY AND LOAN FUND OPERATIONS

#### 1. Loan Operations

##### 1.1 Importation Loans

The source of importation loan funds is the Special Local Currency Account contributed by USAID and managed by the Fiduciary Bank (Bank of Credit and Commerce of Cameroon). As needed, funds are shifted from this account to a Revolving Loan Fund Account, from which disbursements are made to commercial banks. As indicated in Exhibit B-1, a total of FCFA 1.5 billion was available in the Special Local Currency Account for the 1989 program year, of which about FCFA 1 billion was transferred to the Revolving Loan Fund and was utilized for the importation loans listed in Exhibit B-2.

Exhibit B-1  
Status of Special Local Currency Account (SLCA)  
(as of 31 December 1989)

AID disbursements, 1987 and 1988 .....	FCFA 2,194,500,000
Transfers to Revolving Credit Fund in 1988.....	745,000,000
Balance.....	1,449,500,000
Accrued interest, 1988.....	45,181,005
Balance available, beginning of 1989 program...	1,494,681,005
Transfers to Revolving Credit Fund in 1989.....	1,032,045,021
Accrued interest, 1989.....	99,823,265
Balance in SLCA, 31 December 1989.....	562,459,249

Detailed information on importation loan disbursements and repayments under the 1989 program as reported by the Fiduciary Bank (FB) are shown in Exhibit B-2. Shipments are listed in the order in which earmarking requests were received. Total imports are indicated as 63,171 tons. This is 1000 tons less than the total imported as one shipment of 11,000 tons included 1000 tons which was not covered by an FSSRP loan. The total CIF value of shipments was FCFA 3,564,254,000. In accordance with FSSRP regulations, the FB disbursed loans equal to 50% of the CIF value for a total of FCFA 1,777,030,000. (The total amount of loans disbursed is slightly less than 50% since in one instance the importer applied for a loan of FCFA 5 million less than he was entitled to.) The missing loan numbers, 89-5, 89-8 and 89-11, represent loans for which earmarking expired before they could be used. In some cases these represent prospective imports which were never covered by orders from distributors and were allowed to lapse. In other cases, earmarking expired before financing could be arranged; the importer had to resubmit earmarking requests and loans were subsequently disbursed under another

**Exhibit B-2**  
**Importation Loan Status**  
**(as of 31 January 1990)**

Loan No.	Commercial Bank	Importer	Fertilizer Type	Tons	CIF Value 000 FCFA	Loan Disbursed 000 FCFA	Date Disbursed	Date Repaid
89-1	Meridien	CAMATREX	20-10-10	11,000	670,000	335,000	30 Aug 89	28 Nov 89
89-2	Meridien	CAMATREX	Urea	11,000	611,650	300,750	25 Sep 89	26 Dec 89
89-3	Meridien	IBEX	20-10-10	2,730	181,545	90,750	10 Nov 89	8 Feb 90
89-4	Meridien	IBEX	12-06-20	500	33,250	16,625	10 Nov 89	8 Feb 90
89-6	Meridien	IBEX	Urea	13,941	789,269	394,635	10 Nov 89	8 Feb 90
89-7	Meridien	IBEX	Am Sulfate	3,000	129,540	64,770	10 Nov 89	5 Feb 90
89-9	Meridien	CAMATREX	Am Sulfate	10,000	417,500	208,750	6 Nov 89	5 Feb 90
89-10	BICIC	IBEX	20-10-10	5,500	365,750	182,875	10 Jan 90	open
89-12	BICIC	IBEX	20-10-10 12-06-20	4,000 1,500	365.750	182,875	10 Jan 90	open
<b>Totals</b>				<b>63,171</b>	<b>3,564,254</b>	<b>1,777,030</b>		

number. As of mid-February, loans for the final two shipments arriving in January and February 1990 were still outstanding.

## 1.2 Use of Importation Loans

Importation loans are not being used, as was originally intended, to finance fertilizer importation. As pointed out in a preceding section, commercial banks finance imports by means of a Letter of Credit (LC) which the importer is required to back up with various sorts of collateral or payment guarantees. In fact it would not be possible for importation loans to enter into import financing since an LC must be opened before a supplier is willing to load a ship, but according to FSSRP rules the earliest the importation loan can be disbursed is once the ship has sailed.

Importers generally have not found this type of loan to be necessary to the conduct of their business. They regard the 90-day term as too short to cover the time lapse between purchase abroad and payment by customers in Cameroon, and have tended to rely instead on supplier credit.

In practice, when loan funds are disbursed by the FB to a commercial bank (CB), the CB creates two blocked accounts in the name of the importer. One account is an overdraft account for the full amount of the loan and is charged the FSSRP preferential rate of 8.5%. The other account is an interest-bearing term account for the loan amount which earns 9 to 10%. Importers have in most cases preferred to leave these funds in interest-bearing accounts to benefit from the 1/2 to 1 1/2 percent spread on the money held in their names.

This arrangement suits the CBs, since it gives them additional liquidity which can be used for commercial lending at 18%, with a comfortable spread of almost 10%. The arrangement worked to the satisfaction of most participants in 1988 and 1989, the exception being that in 1989 CAMATREX needed additional working capital yet the CB would not unblock the account due to a substantial outstanding balance on loans extended to finance imports.

## 1.3 Distribution Loans

As noted elsewhere in this report, no distribution loans were extended under the 1989 program, although two applications were pending as the year ended.<sup>1</sup>

As with importation loans, there appear to be some departures from the original intent of the program. Distribution loans were intended to be used by distributors or by importers acting as distributors to finance 50% of distribution costs. They have a term of 180 days. Distribution

<sup>1</sup>See Appendix A for updated information.

costs are defined as the subsidized farmgate price plus the subsidy minus the CIF import value of the shipment. If taken out by an importer/distributor, the import loan for the same shipment must first be repaid.

The FSSRP rules allow an importer to obtain a distribution loan to finance wholesale or retail distribution costs on the basis of a marketing plan which shows how he will use the loan funds. As we have seen above in the case of importation loans, marketing plans don't necessarily reflect real intentions. In at least one case in 1989, an importer applied for a distribution loan for the full amount of his import volume, and listed as a customer in his marketing plan a distributor (a cooperative) which is known to have self-financed purchase and distribution costs and thus did not require credit.

It was foreseen that an importer could use this type of loan to extend credit to a distributor to cover his distribution costs and thus facilitate sales. Or it would finance his own distribution costs if he established a distribution network. However in practice, an importer could obtain (if he can satisfy the bank with his marketing plan and meet the bank's collateral requirements) a 180-day loan at concessionary rates and use it as he sees fit -- perhaps to pay his suppliers.

It was also hoped that the distribution loan facility would make it possible for entrepreneurs to go into the fertilizer distribution business. Under the current conditions in Cameroon, distributors who might need this type of loan cannot meet the stringent collateral requirements imposed by banks and cannot qualify.

## 2. Subsidy Fund Operations

### 2.1 Disbursements

Subsidy levels decided upon for the 1989 program year are found in Appendix F. A complex calculation is used to arrive at the appropriate levels. First, weighted average delivered costs for each type of fertilizer are calculated starting with estimated CIF costs and adding average distribution (mainly transport) costs, making assumptions as to costs and breakdown by destination among the seven provinces based on past experience. Knowing the size of the subsidy fund available for the year, the actual subsidy level is arrived at by estimating the volume of fertilizer likely to be imported, then selecting a subsidy rate which uses up the available subsidy funds.

Subsidy disbursements for the 1989 program are shown in Exhibit B-3 by type of fertilizer. Total subsidies disbursed amounted to FCFA 1,544,892,510, or an average of FCFA 24,075 per ton. CAMATREX received FCFA 762,300,000 in subsidies and IBEX FCFA 782,592,000. Status of the Subsidy Fund is described in Part Two of this report.

**EXHIBIT B-3  
SUBSIDY DISBURSEMENTS**

<b>NPK 20-10-10</b>		<b>NPK 12-06-20</b>		<b>SULF. OF AMMONIA</b>		<b>UREA</b>		<b>TOTAL</b>	
<b>QUANTITY</b>	<b>SUBSIDY</b>	<b>QUANTITY</b>	<b>SUBSIDY</b>	<b>QUANTITY</b>	<b>SUBSIDY</b>	<b>QUANTITY</b>	<b>SUBSIDY</b>	<b>QUANTITY</b>	<b>SUBSIDY</b>
<b><u>TONS</u></b>	<b><u>000 CFA</u></b>	<b><u>TONS</u></b>	<b><u>000 CFA</u></b>	<b><u>TONS</u></b>	<b><u>000 CFA</u></b>	<b><u>TONS</u></b>	<b><u>000 CFA</u></b>	<b><u>TONS</u></b>	<b><u>000 CFA</u></b>
11,000	310,200					10,000	238,000	21,000	548,200
2,730	76,086	500	13,500	3,000	51,900	4,991	118,797	11,221	261,183
						8,950	213,010	8,950	213,010
				10,000	173,000			10,000	173,000
5,500	155,100							5,500	155,100
				1,000	17,300	1,000	23,800	2,000	41,100
4,000	112,800	1,500	40,500					5,500	153,300
23,230	655,086	2,000	54,000	14,000	242,200	24,941	593,607	64,171	1,544,893

## 2.2 Problems Experienced

During 1989, importers took advantage of FSSRP rules concerning earmarking of subsidy funds by applying for more earmarking than they were sure of being able to use. In fact it appeared that the two importers involved in the program were competing for available subsidies, each one trying to "lock up" as much as possible before the other could do so. The rules require the importer to submit signed contracts with distributors, or purchase contracts with suppliers together with marketing plans, for the stated tonnage to be imported. It appears that contracts with distributors were adjustable as to amount, and frequently were for tonnages far in excess of what was eventually imported. Contracts with supplier were open-ended; the importer was guaranteed the quoted price for the entire 1989 campaign for any amount of fertilizer purchased from the supplier. Where marketing plans were used, these were simply tables showing amounts to be wholesaled to specified customers or retailed by the importer. These too appear to have been speculative. Because of these practices, the earmarked subsidies were tied up for the 90 day period allowed, and were not available to other importers. As it worked out, in several instances importers never imported the indicated amounts and the earmarking periods expired.

Several proposals have been discussed to avoid this problem. One would require the importer to submit within 30 to 45 days of the earmarking date a Letter of Credit from a commercial bank for the CIF value of the prospective importation. In this way, if the importer failed to perform, the earmarking would become available to others with only a 30-day delay. An alternative proposal would require the importer to post with his application a performance bond equal to 10% of the CIF value of the import. The bond would be forfeited in the event the importer failed to perform within the 90 day period. There is a precedent for the latter alternative, as importers were required to post a bond of this amount under the old FONADER/MINAGRI program.

## 2.3 Relationships with Commercial Banks

The Fiduciary Bank is experiencing problems in getting the commercial banks to provide necessary supporting documentation in a timely fashion. The banks have been careless about forwarding shipping documents within a reasonable period following receipt of the coded telex announcing loading of fertilizer by the supplier. In another matter not specified in the FSSRP rules, commercial banks have been slow to provide promissory notes to cover importation loan disbursements by the Fiduciary Bank. The Fiduciary Bank has therefore established its own requirement that a promissory note be provided before disbursement (which the FSSRP specifies must be within 5 days of the commercial banks request).

#### 4. Replenishment of the Revolving Loan Fund

Despite a change in procedure by which the TSC delegates to the Ministry of Finance the authority to authorize transfers from the Special Local Currency Account to the Revolving Loan Fund, the Ministry of Finance continues to request such authority from the TSC in each instance. This is still causing delays in transfer of funds and has in fact already held up disbursements of loans in several cases.

APPENDIX C  
ACTIVITIES OF COMMERCIAL BANKS

1. Meridien Bank

While the Meridien Bank was a minor participant in the 1988 program, in 1989 it became the dominant commercial bank involved in the FSSRP, financing 83% of the tonnage imported. Meridien handled all of CAMATREX's imports and all but the final two for IBEX. The bank was not seriously approached for loans by any other importer/distributor. Loans and subsidies disbursed by the bank are shown in Exhibit C-1.

Mr. Robert Barry, Corporate Branch Manager, and Mrs. Gisele Mouloung, Credit Manager, provided information and observations on the program. The main problem affecting financing of imports in 1989 was the delays that cooperatives experienced in getting cash to pay for ordered fertilizer, though the bank feels that poor management is also involved. ONCPB arrears were the root cause of the problem in most cases, though in the case of NWCA the illiquidity of BIAO held up payment. (UCCAO's payment delays may be due to a cash flow problem.) Though for the earlier shipments it financed, the bank accepted ONCPB guarantees as collateral, these guarantees were later considered unacceptable. To cover the Letter of Credit, some combination of foreign bank guarantees, cash deposits, a pledge of the fertilizer itself, plus the subsidy was required -- totaling well over 100% of the CIF value of the fertilizer.

Meridien is concerned about the poor financial condition of CAMATREX and about the bank's overall exposure to the firm. They point out that the firm has been unable to sell much of the fertilizer it imported and is incurring substantial interest charges on loans from Meridien, as well as very large port storage charges. This concern led the bank to impose tight controls over the movement of fertilizer out of the port, requiring that a bank employee ("pledge clerk") clear the departure of each truck. (CAMATREX claims that this unwieldy procedure is further slowing the movement of fertilizer to distributors.) Furthermore Meridien is unwilling to extend any additional credit to CAMATREX, which includes not granting any further overdraft facilities to cover CAMATREX operating costs.

CAMATREX has applied through Meridien for earmarking for the import of an additional 10,000 tons (of which 9800 tons is 20-10-10). However in order to open an LC, Meridien is requiring that CAMATREX make a cash deposit of 35% of the LC value, or supply a foreign bank guarantee, which CAMATREX is unwilling or unable to do.

CAMATREX has an application pending with Meridien for a distribution loan which it would like to use mainly to cover costs of moving fertilizer out of the port and into their own warehouse (to reduce storage charges and simplify clearance of movements by port authorities). As part of the marketing plan called for by the FSSRP, Meridien insisted on submission of firm sales contracts with customers, which at first led CAMATREX to

Exhibit C-1

Importation Credit and Subsidy Disbursements

Meridien Bank  
(as of 16 Feb. 90)

<u>Importer</u>	<u>Fertilizer</u>			<u>Importation Loan</u>				<u>Subsidy</u>		
	<u>Type</u>	<u>Tons</u>	<u>CIF Value 000 FCFA</u>	<u>Amount 000 FCFA</u>	<u>Date Earmarked</u>	<u>Date Disbursed</u>	<u>Date Repaid</u>	<u>Amount 000 FCFA</u>	<u>Date Earmarked</u>	<u>Date Disbursed</u>
IBEX	20-10-10	2,730	199,500	90,773	20 Jul 89	13 Nov 89	08 Feb 90	76,986	20 Jul 89	20 Oct 89
IBEX	12-6-20	500	33,250	16,625	20 Jul 89	13 Nov 89	08 Feb 90	13,500	20 Jul 89	20 Oct 89
IBEX	Urea	4,991	289,000	135,980	20 Jul 89	13 Nov 89	08 Feb 90	118,797	20 Jul 89	20 Oct 89
IBEX	AmmonSulf	3,000	137,700	64,770	20 Jul 89	13 Nov 89	08 Feb 90	51,900	20 Jul 89	20 Oct 90
IBEX	Urea	8,950	517,310	258,655	20 Jul 89	13 Nov 89	08 Feb 90	213,010	20 Jul 89	24 Oct 89
CAMATREX	20-10-10	10,000	670,000	335,000	06 Jun 89	31 Aug 89	28 Nov 89	310,000	06 Jun 89	31 Aug 89
CAMATREX	Urea	10,000	601,500	300,750	06 Jun 89	26 Sep 89	26 Dec 89	238,000	06 Jun 89	26 Sep 89
CAMATREX	AmmonSulf	10,000	417,500	208,750	11 Aug 89	06 Nov 89	05 Feb 90	173,000	11 Aug 89	24 Oct 89
	<b>Totals:</b>	<b>50,171</b>	<b>2,865,760</b>	<b>1,411,303</b>				<b>1,195,193</b>		

threaten legal action against Meridien on the grounds that the FSSRP rules did not require such submission. Meridien held up action on the loan and sought guidance from the Fiduciary Bank as to what constituted the "approval" of a marketing plan. As of mid-February, the loan was still pending.<sup>1</sup>

Despite these problems Mr. Barry felt that the program was well conceived and the bank is interested in participating again in 1990. The following suggestions for improvements were offered:

**Standardization of documents:** To avoid confusion and delays experienced last year, it would be helpful if standardized documents were used for all interbank transactions, particularly loan and subsidy earmarking and disbursement requests.

**Specification of content of marketing plans:** Additional guidance on this point would help avoid misunderstandings such as developed with CAMATREX this year, and would standardize plans as between the various importers. Should firm sales contracts be required?

**Role of commercial banks in applying for subsidy earmarking:** The banks' responsibility in this regard needs to be specified. To what extent is the bank responsible for assuring that the importer can actually sell the imported fertilizer? More detailed marketing plans will help. However Meridien feels that the best way to avoid excessive or unsubstantiated requests for earmarking would be for the FB to require the CB to submit with each earmarking request a firm commitment to issue an L/C to the importer provided certain conditions are met.

**Purpose of Importation and Distribution Loans:** The function of this type of loan is not clearly defined. Importers feel that they are entitled to it as a line of short-term low-interest credit provided by the program, while banks are making stringent collateral requirements which importers have difficulty in meeting.

**Risk-sharing:** The idea was presented to Meridien that commercial banks should bear some of the risk associated with fertilizer import. At present Letters of Credit are typically covered for more than 100% of the import value. One possibility was that a portion of any non-covered risk would be born by the FSSRP. Mr. Barry felt that if importers were aware of this that they might default on that portion of the loan, knowing that banks would be reimbursed by the program.

<sup>1</sup>The situation described has changed since mid-February when this information was collected. See Appendix A for details.

### 3. BICIC

Mr. Arthur Kamssue, Assistant Credit Manager, provided information on BICIC's activities under the 1989 program. BICIC financed two shipments totaling 11,000 tons (9500 tons of 20-10-10 and 1,500 tons of 12-06-20) for IBEX. The second of these shipments was being unloaded at Douala as of 10 February 1990, and in fact Mr. Kamssue was processing the request for disbursement of the subsidy to IBEX during the visit.

In general, BICIC is positive about the FSSRP and expects to continue to participate. Like Meridien, they see little value in the importation loan facility as it relates to fertilizer imports. Another issue raised by BICIC was the limited physical assets of the two present importers which make it difficult for them to provide collateral. They are pleased about the change in the FSSRP rules which allow early repayment of importation loans without penalty.

While BICIC financed almost 80% of shipments under the 1988 program, the bank took a much more conservative stance during 1989. Though they received applications from five importers (Bela-Nke, Pelenget, ATCIA, CAMATREX, IBEX), they approved only IBEX's request for importation of NPK 20-10-10, principally to fulfill the orders made by UCAC and UCAL. This year BICIC insisted on submission with the application of firm sales contracts with between distributors and importers and looked closely at the solvency of each distributor. Their action on the various requests was as follows:

**CAMATREX:** An application for financing of an order for UCCAO was turned down because the delivery time specified by UCCAO was too short to be completed in time by CAMATREX.

**Pelenget:** The bank received a telex concerning possible financing of an order for SOWEFCU, but there was no follow-up.

**ATCIA:** A request was received to finance the import of 15,000 tons for the account of a coffee processor, Tzouvalos. This was initially presented as a barter deal, but was later modified to become two parallel transactions. BICIC has agreed to finance the operation but it has been blocked by the inability of ATCIA and Tzouvalos to gain the right to export coffee.

**Bela-Nke:** In May 1989, this importer requested financing for import of 8000 tons for direct sale. Since no firm sales contracts were presented, the request was turned down.

**IBEX:** The original request was for 25,000 tons, for which BICIC requested a detailed marketing plan. At the time of the request, there were insufficient subsidy funds available. Eventually the TSC allocated IBEX an earmarking of 11,000 tons.

APPENDIX D  
ACTIVITIES OF IMPORTERS

1. Imported Fertilizer Tonnage and Cost

Tonnages imported and average CIF costs by type of fertilizer are compared for 1988 and 1989 in Exhibit D-1. More urea and ammonium sulfate were imported in 1989 than in the previous year, at the expense of considerably smaller imports of NPK 12-06-20 and slightly less NPK 20-10-10. The weighted average prices for all types of fertilizer was almost identical to 1988.

2. CAMATREX S.A.R.L.

CAMATREX has office space in Douala and a rented 2000 sq. m. warehouse in Bonaberi (capacity of 8000 tons of fertilizer). It has 13 employees, including 3 professionals. These consist of a Deputy General Manager, Dr. Michael Geh (a former management consultant in Douala with a law degree from the U.S.), an Administrative Officer, Mr. Emmanuel Achu (formerly with MIDENO), and a Commercial Officer, Mr. Pierre Simen (formerly with SEPCAE). The General Manager, Mr. Gebreyes Begna, was in the United States at the time of the visit. CAMATREX has also made use of consultants on several occasions, including one from the U.S. and one from CAMATREX's principal supplier, Norsk Hydro.

CAMATREX imports under the 1989 program are shown in Exhibit D-2. Eleven thousand tons each of 20-10-10, Urea and Ammonium Sulfate were imported between 23 August 1989 and 20 October 1989. Two-thirds of this amount came from Norsk Hydro in Norway, with whom CAMATREX has a standing relationship. An application for extension of the 90-day subsidy earmarking period for import of an additional 15,000 tons (for UCCAO) is pending as of 10 February 1990.

Disposition of fertilizer stocks imported by CAMATREX as of 8 February 1990 is shown in Exhibit D-3. This data shows total imports by type, sales commitments by type for each customer, and the balance of uncommitted stocks by type. Also shown in the right-hand columns are the total tons (not broken down by type) "lifted" or removed from the port for each of CAMATREX's customers, and the tons remaining from each customer's order not yet lifted. Sales commitments for 2500 tons of NPK 20-10-10 for UCCAO, and 7000 tons of NPK 20-10-10, 100 tons of 12-06-20 and 100 tons of 10-30-10 for NWCA, are not yet covered by imports. This results in a negative uncommitted stock of 14,732 tons of 20-10-10, as shown at the bottom of that column. CAMATREX plans to import only an additional 10,000 tons of 20-10-10 to cover this apparent shortfall, since according to management, several other customers do not plan to honor their purchase commitments for this type of fertilizer.

CAMATREX reports that some 6000 tons of 20-10-10 ordered for NWCA and COOPROVINOUN has in fact been delivered to UCCAO. NWCA suffered some

**Exhibit D-1**  
**Fertilizer Imports by Type and Average Cost, 1988-1989**

	1988		1989	
	<u>Tons</u>	<u>Average CIF Value 000 FCFA</u>	<u>Tons</u>	<u>Average CIF Value 000 FCFA</u>
NPK 20-10-10	26,300	62,650	23,230	63,853
Urea	15,200	51,250	24,941	56,169
NPK 12-06-20	12,000	61,000	2,000	66,500
Ammon Sulfate	<u>9,500</u>	<u>39,643</u>	<u>14,000</u>	<u>42,080</u>
<b>Total</b>	<b>63,000</b>		<b>64,171</b>	
<b>Weighted Ave.</b>		<b>56,116</b>		<b>56,199</b>

Average based on 13,000 tons only. CIF price for 1000 T balance not available.

**Exhibit D-2**  
**CAMATREX IMPORTS**  
 (As of 8 February 1990)

<u>Shipment No.</u>	<u>Type</u>	<u>Tonnage</u>	<u>CIF Value (FCFA 000s)</u>	<u>Supplier</u>	<u>Date of Arrival</u>	<u>Date Cleared Customs</u>
1	NPK 20-10-10	11,000	670,000	Norsk Hydro	23/08/89	23/08/89
2	Urea	11,000	611,650	Norsk Hydro	07/09/89	08/09/90
3	Urea	11,000	459,250	CFA, France	12/10/89	20/10/89
<b>Total</b>		<b>33,000</b>	<b>1,740,900</b>			

**Exhibit D-3**  
**Disposition of Camatrex Stocks**  
**(As of 8 February 1990)**  
**(tons)**

	<u>NPK</u> <u>20-10-10</u>	<u>NPK</u> <u>12-06-20</u>	<u>NPK</u> <u>10-30-10</u>	<u>Urea</u>	<u>Ammonium</u> <u>Sulfate</u>	<u>Total</u>	<u>Total</u> <u>Lifted</u>	<u>Remaining</u> <u>to be</u> <u>Collected</u>
<b>Total Imported</b>	11,000	0	0	11,000	11,000	33,000	17,046	15,954
<b>Sales</b>								
<b>Commitments:</b>								
<b>UCCAO</b>	10,000	0	0	5,000	0	15,000	9,000	6,000
<b>COOPROV- INOUN</b>	4,500	0	0	500	6,000	11,000	2,257	8,743
<b>NWCA</b>	7,000	100	100	600	2,200	10,000	2,800	7,200
<b>SOCOTRA</b>	800	0	0	1,000	700	2,500	760	1,740
<b>FOGACAM</b>	2,000	0	0	0	0	2,000	10	1,990
<b>Others</b>	1,432	0	0	782	5	2,219	2,219	0
<b>Total Sales</b>								
<b>Commitments</b>	25,732	100	100	7,882	8,905	42,719	17,046	25,673
<b>Uncommitted</b>								
<b>Stock</b>	(14,732)	(100)	(100)	3,118	2,095	(9,719)		

delays in arranging payment due to the illiquidity of their bank, BIAO, so CAMATREX diverted much of their order to UCCAO. The pending 10,000 ton order mentioned above includes 9800 tons of 20-10-10 which will be sufficient to complete deliveries to both NWCA and UCCAO. NWCA's need for 20-10-10 is now urgent since the March application time for 20-10-10 on coffee trees is approaching. However the earmarking request for this shipment has not been approved. The FB has requested that Meridien submit a commitment to issue an L/C for the shipment as a pre-condition for approval. Meridien is unwilling to do so unless CAMATREX covers a portion of the import with cash payments.

Early in the program year, CAMATREX received earmarking for 40,000 tons of fertilizer (and had pending earmarking for an additional 26,000 tons), even though they did not have sales contracts for nearly that much. This appears to have been a defensive measure against their main competitor, IBEX. CAMATREX's bank, Meridien, passed along the application without looking thoroughly into the marketing plan presented by CAMATREX. (Meridien claims that the scope and content of the marketing plan was not defined in the FSSRP pamphlet.) Ultimately CAMATREX was only able to use subsidy funds for 33,000 tons. To use even that amount, CAMATREX had to request extensions of the 90-day earmarking period for several shipments. The earmarking period expired for the remaining 7000 tons, though CAMATREX currently has a request for earmarking.

CAMATREX has run into serious difficulty disposing of its imported fertilizer. UCCAO, apparently with cash flow problems, is lifting fertilizer from the port at a slow rate and making weekly cash payments against these deliveries. COOPROVINOUN was able to finance purchase of only 2500 tons and the cooperative does not plan to take delivery of the balance of its 11,000 ton order. Since 28% of the LC issued by Meridien on behalf of CAMATREX to finance these imports was covered by the stock itself, Meridien felt it necessary to impose strict controls on movement of fertilizer from the port. As a result, each truckload of fertilizer which leaves the port must be approved by a representative of the bank, and every payment for these deliveries must go directly to the Meridien Bank to reduce CAMATREX's outstanding debt. CAMATREX has been unable to make use of some of the importation loan funds obtained through the program to ease its working capital problems because Meridien is holding these funds in a blocked account. In effect, the bank has ceased financing the importer's operating costs, depriving it of working capital and making it impossible to pay employees and local suppliers.<sup>1</sup>

A further problem facing CAMATREX is the accumulation of very large port storage charges -- FCFA 700 million as of end January, according to CAMATREX -- caused by the slow rate of lifting of fertilizer from the port by some customers and the failure to honor sales contracts by others. CAMATREX considers that these port charges are the responsibility of their

<sup>1</sup>This situation has changed since mid-February when this information was collected. See Appendix A.

customers since sales contracts specified that storage charges were at their expense after a specified date.

CAMATREX applied for a distribution loan through Meridien with the idea of using the funds to pay to move fertilizer to their own warehouse in the port area or another warehouse. This would (1) get the fertilizer away from its present open-air storage which is causing deterioration, (2) eliminate high port storage charges, and (3) simplify port clearance for the multitude of small trucks picking up fertilizer. The application included a marketing plan (though this did not contain detailed information), which Meridien had to "approve" before the Fiduciary Bank would grant the loan. Meridien requested guidance from the Fiduciary Bank, saying that they were not prepared to be on record as having approved such a marketing plan. The loan request was subsequently rejected. As noted above, port storage charges amounting to about FCFA 700,000,000 have accumulated (plus an additional FCFA 31 million in insurance and handling charges). Port authorities are sufficiently concerned about collecting this sum that they have forbidden CAMATREX to lift the remaining 2000 tons of 20-10-10 in storage and destined for UCCAO, in effect holding it in escrow against the amount due.<sup>1</sup>

CAMATREX pleads for greater government involvement in the program in the form of supervision and control over actions by participants. Specifically, they propose that the TSC act as liaison between the ONCPB and coffee exporters, that it intervene in commercial bank operations to assure timely action on loan applications from importers, that it encourage early action by the new Agricultural Credit Bank to finance fertilizer sales by issuing coupons for purchase of fertilizer, and that it investigate and deal with complaints of program participants. They also noted that port and railroad authorities were not sympathetic to CAMATREX problems because they were not informed about the FSSRP program. Another comment was that cooperatives regard the FSSRP as a "government program" rather than a private sector one, and point out that their financing problems stem from failure of ONCPB to honor its commitments. Thus they feel no compunction to honor their purchase contracts with suppliers.

If CAMATREX is able to arrange the final 10,000 ton shipment they state that this will be shipped in bulk and that two quay-side bagging machines will arrive at the same time. Bulk shipment and bagging on arrival would both lower initial purchase costs and reduce losses in handling at the port (now estimated at as much as 5%). CAMATREX stated that they are forming a stevedoring company (transitaire) to handle their own customs clearance and freight forwarding activities. Finally CAMATREX advised that it is their intention to establish a distribution network in Cameroon and to engage in "two-way trade", that is, purchasing coffee and other crops for export once such trading is liberalized.

<sup>1</sup>The situation described has changed since mid-February when this information was collected. See Appendix A for details.

### 3. IBEX

IBEX is owned 90% by an American company and has 10% local ownership, including 3% each by UCAC and COOPROVINOUN, and 4% by UCAL. They have offices in a downtown Douala office building and a rented warehouse in Bonaberi (3000 ton capacity). They employ 12 persons, including 5 working in the port. Mr. Betru Gebregziabher is Director General.

IBEX imported a total of 31,172 tons between 13 October 1989 and 10 February 1990, as indicated in Exhibit D-4. Interore, a Belgian company, was the sole supplier.

Disposition of this fertilizer is shown in Exhibit D-5. Imports and sales commitments by type are indicated, along with total amounts lifted from the port by each customer and remaining tonnages in storage at the port. It is noteworthy that 23,145 tons or over 74% of imports remain in port storage. As is the case with CAMATREX, customers are picking up fertilizer but this is occurring at a slow rate. UCAC's contract for 8000 tons was financed by two traites guaranteed by ONCPB. However UCAC had difficulty moving fertilizer from the port because it lacked funds to pay transporters. IBEX was in any case reluctant to let the fertilizer go because ONCPB had not honored the traites when they were presented for payment.<sup>1</sup>

Included in IBEX's imports were some 4000 tons which were for spot sales, that is, sales not covered by contracts. However due to several cancellations of orders, and expected partial cancellations of others, IBEX will have to find outlets for substantially more than 4000 tons. So far spot sales have amounted to only 500 tons. As of mid-February, IBEX was attempting to arrange a sale to SOWEFCU, which has not been able to arrange a purchase through Pelenget to date. In fact IBEX has offered to put fertilizer on consignment in SOWEFCU's warehouse under the control of an IBEX employee, and to collect payment as the cooperative sells it to members.

The UCAC order mentioned above illustrates some of the problems IBEX is having in enforcing sales contracts. The contract specified that if delays in lifting from the port continue after a given time period, IBEX had the right to transport the fertilizer to a designated warehouse and charge the cooperative for transport costs. The date expired and IBEX moved about 1000 tons in this way before UCAC asked them to cease because the warehouse was full. UCAC's basic problem was paying for transportation costs, though as noted above, ONCPB failure to honor the two traites led to additional difficulties.

<sup>1</sup> This deadlock persisted until March when ONCPB finally made payment against the traites. As a part of this arrangement, however, some of the fertilizer was allocated to SOWEFCU.

**Exhibit D-4**  
**Importation Record, IBEX**  
**(As of 8 February 1990)**

<b>Shipment No.</b>	<b>Type</b>	<b>Tonnage</b>	<b>CIF Value (FCFA 000s)</b>	<b>Supplier</b>	<b>Date of Arrival</b>	<b>Date Cleared Customs</b>
1	NFK 20-06-20	500.0	33,250	Interore	7/10/89	01/11/89
2	NPK 20-10-10	2,730.0	181,545	Interore	14/10/89	20/10/89
3a	Urea	4,991.5	271,959	Interore	09/10/89	13/10/89
3b	AS	3,000.0	136,700	Interore	09/10/89	19/10/89
4	Urea	8,950.0	517,310	Interore	16/10/89	31/10/89
5	NPK 20-10-10	5,500.0	365,750	Interore	10/01/90	02/02/90
6a	NPK 20-10-10	4,000.0	266,000	Interore	05/02/90	Not Yet
6b	NPK 20-06-20	1,500.0	99,750	Interore	05/02/90	Not Yet
<b>Total</b>		<b>31,171.5</b>	<b>1,872,264</b>			

**Exhibit D-5**  
**Disposition of Stocks, IBEX**  
(As of 8 February 1990)  
(tons)

	<u>NPK</u> <u>20-10-10</u>	<u>NPK</u> <u>12-06-20</u>	<u>NPK</u> <u>10-30-10</u>	<u>Ammonium</u>			<u>Total</u> <u>Lifted</u>	<u>Remaining</u> <u>to be</u> <u>Collected</u>
				<u>Urea</u>	<u>Sulfate</u>	<u>Total</u>		
Total Imported	12,230	2,000	0	13,942	3,000	31,172	8,027	23,145
<b>Sales</b>								
<b>Commitments:</b>								
UCAL	4,500	500	0	4,000	1,000	10,000	3,500	6,500
UCAC	5,000	500	0	2,000	500	8,000	1,300	6,700
SPNP	600	1,000	0	600	100	2,300	1,300	1,000
Group One	0	0	0	1,351	0	1,351	1,351	0
Others	300	0	0	5,876	110	6,286	576	5,710
<b>Total Sales</b> <b>Commitments</b>	<b>10,400</b>	<b>2,000</b>	<b>0</b>	<b>13,827</b>	<b>1,710</b>	<b>27,937</b>	<b>8,027</b>	<b>19,910</b>
<b>Uncommitted</b> <b>Stock</b>	<b>1,830</b>	<b>0</b>	<b>0</b>	<b>115</b>	<b>1,290</b>	<b>3,235</b>		

Meridien Bank financed the majority of IBEX's imports; BICIC financed only 9500 tons of 20-10-10 and 1500 tons of 12-06-20. IBEX was greatly assisted in arranging for import financing by being able to obtain foreign bank guarantees for 25% of the L/C value. The foreign bank concerned was the French-American Bank in New York City. This bank in turn accepted ONCPB guarantees to cover their risks.

IBEX would like to go into direct distribution through commission agents in the future. They have identified several individuals in the North West and South West who formerly acted as coffee buying agents for ONCPB. They are also looking at companies who operate in the East and South Provinces.

The IBEX General Manager had a number of suggestions for changes in the program:

**Countertrade:** The problems facing cooperatives because of ONCPB's inability to finance coffee and cocoa marketing could be ameliorated by liberalizing marketing of these products. This would permit fertilizer importers to engage in export of coffee to finance purchase of fertilizer, either on a straight barter basis or in two separate transactions. (Recent changes in the export regime have already liberalized robusta coffee marketing to some degree, making such transactions more feasible.)

**Sharing of risk by the FSSRP:** At present, commercial banks must present to the Fiduciary Bank a promissory note for the amount of the FSSRP importation loan (50 % of the CIF value). This note may be cashed in by the FB at the Central Bank in the event of delay in repayment, and the Central Bank immediately debits the account of the bank concerned. For this reason the banks minimize risk by requiring collateral equal to 110% or more of the amount of the L/C issued on behalf of the importer. Currently ONCPB guarantees are not being accepted by banks as collateral, making it even more difficult for cooperatives to arrange financing. It is suggested that the rules might be changed so that the bank would issue a promissory note for only half the loan value (25% of the CIF value). The balance of the risk in the event of non-payment by the importer would be born by the FSSRP. (This would mean that the Revolving Loan Fund would absorb the loss in the event the FB is unable to collect from the commercial bank and availability of loan funds would be reduced).

**Backup guarantee for ONCPB guarantee:** At present ONCPB guarantees of payment to fertilizer importers by cooperatives are considered worthless by commercial banks and are no longer being accepted as collateral. This severely restricts the ability of cooperatives to finance fertilizer purchases. It is suggested that the FSSRP might issue a guarantee to back up the ONCPB guarantee up to a specified percentage of the purchase, say 25%. (This could mean that the FSSRP could end up holding a substantial amount of ONCPB notes, thus diminishing availability of loan funds.)

**Use of FSSRP loan funds:** IBEX states that FSSRP importation loans are of value to them only in that they improve cash flow. They are of little value in arranging financing of imports since IBEX is able to arrange

supplier financing with the aid of foreign bank guarantees. If the percentage of the import value financed by FSSRP importation loans were reduced, more of the available loan funds could be used for distribution loans -- which is where the main need is at present. However other measures to facilitate distributor borrowing would have to be introduced at the same time.

**Subsidy earmarking problem:** Importers have applied for earmarking without firm sales contracts as a defensive measure against the competition. In fact, IBEX stated that without a reserve of subsidy earmarking they would have been unable to make viable tenders for fertilizer to their customers (mainly cooperatives). In the early part of the 1989 program, banks were applying for subsidies on behalf of importers without requiring a meaningful marketing plan, that is, they were passing on the request to the FB without questioning the importer as to how it would be used. To avoid tying up subsidy funds in this way, it is suggested that commercial banks accompany the request to the FB with a commitment to issue an L/C to the importer provided certain stated conditions are met.

IBEX management states that the company would undertake to build a bagging plant in Douala and bring in fertilizer in bulk at lower prices if they could have reasonable assurance of being able to import 30,000 to 40,000 tons annually for the next 3 years under the FSSRP, plus a portion of the amount of unsubsidized fertilizer currently going to the northern provinces. They do not feel that this would prevent other importers from doing likewise since according to an IFDC study a volume of 50,000 tons is sufficient to support a bagging plant. Using locally-made plastic sacks would be a problem, however, since the Cameroon producer (Sacheries du Cameroun) charges the equivalent of \$1.50 per sack, while similar bags are available from Korea at 28 to 30 cents each.

### 3. Societe Pelenget SARL

Pelenget is a Cameroon-owned import firm based in Yaounde. Operations now are confined to pesticide import and distribution, though they imported fertilizer under the old MINAGRI/FONADER program -- about 100,000 tons between 1982 and 1985. The Director, Mr. Peter Njontor Ngufor, is an anglophone and the company's sales outlets are only in anglophone areas -- Bamenda in the North West Province and Kumba in the South West Province.

Currently, Pelenget is trying to arrange the import of 5000 tons of fertilizer for SOWEFCU in South West Province. However the cooperative is having difficulty arranging financing. SOWEFCU got ONCPB to countersign a "traite" or bill of exchange based on the money owed it for coffee purchases, but their bank, BICIC, refused to accept it as guarantee of payment. SOWEFCU also approached two other banks -- BIAO and SGBC -- but were turned down there also. The Director is doing what he can to assist the cooperative before the closing date for the present campaign of February 15.

The Director made the point that the main constraint on fertilizer sales was the arrears owed to farmers by ONCPB. This in turn was caused by the complete lack of confidence by farmers in the government marketing system for coffee. He felt that farmers would sell to whomever paid them cash for their coffee, no matter how low the price. If they had cash, they would buy fertilizer.

#### 4. ADER

ADER, which imported 15,000 tons under the program in 1988, did not import any fertilizer in 1989. The company submitted a tender to UCCAO but lost on price to CAMATREX.

ADER has an office and warehouse in Bonaberi. As successor to SEPCAE, they were able to take over distribution outlets in Nkongsamba, Bafoussam, and Yaounde. They supply a range of agricultural chemicals to government and parastatal plantations, as well as a line of vegetable seeds to small growers.

According to the Director General, M. Bernard LeBlanc, ADER is actively engaged in importing non-subsidized fertilizer. They claim to supply about 70% of this market. They imported 20,000 tons in 1989, of which 16,000 tons was to fill orders from buyers (including 7000 tons for SODECOTON) and the balance for direct sale. Types of fertilizer imported consisted of 8000 tons of nitrogenous fertilizer (urea and NPK), 5000 tons of potassium-based fertilizer such as KCl, and the balance of other types.

ADER feels that growth in the market will be mainly among vegetable growers, whom they already supply with seeds and chemicals, rather than coffee cooperatives. It is their contention that fertilizer suppliers should be able to offer buyers a complete package of inputs plus technical assistance. They feel that they are in a much better position to do this than the two importers this year, whom they claim are really only trading companies without a long-term interest in Cameroon as they have no investments in distribution facilities.

In answer to a question about the minimum economic import volume for an importer with bagging facilities, ADER felt that 30,000 tons would be the minimum amount, but that it depended also on the types of fertilizer to be bagged. They also indicated that the price charged by the local fabricator of bags, Sacheries de Cameroun, made bagging prohibitively expensive.

#### 5. ATCIA

This is a Finnish-owned import/export firm located in Douala. Established in 1982, its main import business is in veterinary supplies and glue for the plywood industry. Exports include lumber, coffee and scrap metal. The firm has 48 employees. The honorary Finnish consul, a Mr. Malin, is a principal in the company.

ATCIA has applied to BICIC for financing of a two-way trade in coffee and fertilizer. Initially this was to be a straight barter deal, but it has since been modified to two parallel transactions. ATCIA would export coffee in sufficient volume to finance the import of 15,000 tons of 20-10-10, which would be sold to coffee farmers by the coffee processing and export firm Tzouvelos. As of mid-February, ATCIA and Tzouvelos have not been granted the right to export coffee so the deal has not gone through. If approved, ATCIA would sell the coffee and purchase the fertilizer from a Finnish company, Kemira.

#### 5. Rhone-Poulenc

Rhone-Poulenc, a large French chemical manufacturer, operates in Cameroon through an office in Douala and a branch office in Yaounde. The firm has 40 employees, of which 20 are concerned with agrochemical products. The latter category of imports include herbicides for coffee growers and phytosanitary products. Rhone-Poulenc also imports non-subsidized fertilizer and sells to various state and parastatal agricultural enterprises, and to the private sector.

Under the old FONADER/MINAGRI program, Rhone-Poulenc stated that it imported an average of 15,000 tons a year of subsidized fertilizer. The company would like to be involved in marketing under the FSSRP. Like ADER, they feel that they are better placed than the present importers under the FSSRP because they can offer a "complete package" of services to coffee growers, including herbicides, fertilizer, and technical assistance. They admit that their margins would have to be higher in order to cover fixed and operating costs of their Douala facilities and the distribution points in the growing areas, as well as technical services they offer, but believe that growers are willing to pay 5 to 10% more for their fertilizer in order to get these services. In connection with technical services, mention was made of plans to train young Cameroon graduates in agriculture to serve as advisors to customers. (At present, according to another source, technical services are limited to occasional visits of technicians from the parent company in France.)

Rhone-Poulenc's one experience with the FSSRP was an unfortunate one. They imported 1000 tons of 20-10-10 fertilizer for CFSO, a regular customer for other Rhone-Poulenc products located in the East Province, and sold it at the subsidized price. However, they did not follow proper procedures, applying for subsidy and importation loans only after the import was completed, and their application has therefore been rejected. Their explanation was that the rules were not clearly stated, and that the customer had an urgent need for the fertilizer.

APPENDIX E  
ACTIVITIES OF DISTRIBUTORS

1. Union des Cooperatives des Planteurs de Cacao et de Cafe du Centre (UCAC)

UCAC, founded in 1986 in Yaounde, is a cooperative union grouping eleven cooperatives whose members are growers of cocoa and robusta coffee in the Center Province. These eleven cooperatives (which pre-date formation of UCAC) produced an average of 46,000 tons of cocoa annually between 1982 and 1986. Cocoa marketing is being carried out jointly with other members of an exporters group consisting of cooperatives and private exporters. This approach facilitates access to credit in the current situation where banks have imposed very stringent collateral requirements. Apparently a smaller tonnage of coffee was marketed, and the cooperative has not been paid for this by ONCPB. Assets consist mainly of a small warehouse and office and three trucks.

The Director of UCAC recently retired and a M. Pierre Elobo has been appointed to serve as "Charge de Mission", evidently a caretaker position. He had been in office only two weeks at the time of the interview. The Provincial Delegate of Agriculture, M. Denis Mbock, serves as President of the Board of Directors and provided much of the information reported here on UCAC.

UCAC ordered 8000 tons of fertilizer from IBEX at a total cost of FCFA 425 million. The breakdown by type is as follows:

NPK 20-10-10	5000 tons
Urea	2000
Ammon. Sulfate	500
NPK 12-06-20	500

A first shipment of 5500 tons arrived at Douala at mid-October (though was only "officially" received in January), while the final shipment of 2500 tons only reached Douala at the end of January 1990. UCAC states that this did not serve their interests since the order was placed in May in the expectation of receiving delivery in July or August in time for the September/October application on coffee. M. Elobo was unable to say how demand estimates had been prepared to justify import of this volume.

Retail prices to growers established by UCAC are as follows:

NPK 20-10-10	FCFA 3560/sack
NPK 12-06-20	FCFA 3575/sack
Ammon. Sulf.	FCFA 3300/sack
Urea	FCFA 3555/sack

UCAC's import of 8000 tons was financed by two traites guaranteed by ONCPB (one for 5000 tons and one for the balance). UCAC experienced difficulty in moving fertilizer from the port because: (1) there were delays in "officially receiving" the shipment, (2) UCAC lacked funds to

pay transporters to move the product, and (3) ONCPB did not honor the traites when presented for payment by the importer, IBEX. Since payment had not been made, IBEX was reluctant to let the fertilizer leave the port -- even if UCAC could have arranged transport. This deadlock persisted until early March when ONCPB finally made good on the traites. At that time, however, some of the fertilizer was reallocated to SOWEFCU, which had an immediate need. There was also some doubt about UCAC's need for this amount of fertilizer.<sup>1</sup>

Of concern to UCAC is the rumored sale by importers of fertilizer for cash at Douala at greatly reduced prices. If this happens, the cooperative fears that their prospective buyers (or at least those can provide transport from Douala) will supply their needs in this way rather than buy from UCAC.

Even if UCAC does succeed in completing financing of the purchase of the remaining 7000 tons, the cooperative faces a storage problem as their small warehouse could only accommodate about 1000 tons. They plan to request the loan of nearby warehouse space belonging to ONCPB and not now in use, and for the balance customers would have to take delivery directly from the port.

## 2. Union des Cooperatives Agricoles du Littoral (UCAL)

UCAL ordered 10,000 tons of fertilizer at an average price of FCFA 50,770 per ton through IBEX during the 1989 program. This compares to a 21,000 ton order at an average price of FCFA 39,185 per ton last year. The cooperative thus experienced a 30% increase in unit cost for its fertilizer. Several other offers were received by the Provincial Delegate of Agriculture on behalf of the cooperative, including one from FERIDA averaging between FCFA 46,000 and 48,000 per ton which was later withdrawn. The Delegate originally advised UCAL to accept an offer from CAMATREX, but the IBEX offer was ultimately accepted. UCAL was also approached by the SOCONI firm who offered to barter coffee for fertilizer, which would have resulted in an even lower price for the fertilizer, but this proved impossible to arrange.

Distribution to member cooperatives of the four types of fertilizer imported under the 1989 program is shown in Exhibit E-1. Only one-third of the amount purchased had been lifted from the port and distributed as of 13 February 1990. Comparable figures for the 1988 program are shown in Exhibit E-2. All of the 21,000 tons imported in 1988, with the exception of a small amount of ammonium sulfate, had been delivered to member cooperatives as of mid-February 1990. As the figures indicate, UCAL's suppliers in 1988 (CAMATREX and Aminon) did not deliver the full amount of 20-10-10, 12-06-20, and urea ordered. CAMATREX made good its undersupply by providing an equivalent value in ammonium sulfate. This is the reason UCAL ended the 1988 campaign with more ammonium sulfate than originally

<sup>1</sup>For further information on this situation, see Appendix A.

**Exhibit E-1**  
**Distribution of 1989 Fertilizer, UCAL**  
**(As of 13 February 1990)**  
**(tons)**

	NPK 20-10-10	NPK 12-06-20	Urea	Sulfate of Ammonium	Total
<b>Total Contract</b>	<b>4500</b>	<b>500</b>	<b>4000</b>	<b>1000</b>	<b>10000</b>
<b>Total Collected</b>	<b>1995</b>	<b>115</b>	<b>981</b>	<b>165</b>	<b>3256</b>
<b>Percentage</b>	<b>44.3%</b>	<b>23.0%</b>	<b>24.5%</b>	<b>16.5%</b>	<b>32.6%</b>
<b>Distributed:</b>					
COOPACROM	565	0	250	0	815
COOPAGRIL	0	0	25	0	25
COOPLACARM	600	45	300	95	1040
COOPLAM	220	0	90	20	330
COOPLAMEL	400	50	176	50	676
COOPROCAM	20	0	10	0	30
COOPRODICAM	0	0	0	0	0
COOVENPROVEX	10	0	0	0	10
SOCOPLACACAM	20	0	10	0	30
SOCOPEL Mungo	0	0	0	0	0
Others	0	0	0	0	0
<b>Total Distributed</b>	<b>1835</b>	<b>95</b>	<b>861</b>	<b>165</b>	<b>2956</b>
<b>Percentage</b>	<b>92.0%</b>	<b>82.6%</b>	<b>87.8%</b>	<b>100.0%</b>	<b>90.8%</b>
<b>Total Stocks</b>	<b>160</b>	<b>20</b>	<b>120</b>	<b>0</b>	<b>300</b>

**Exhibit E-2**  
**Distribution of 1988 Fertilizer, UCAL**  
**(As of 13 February 1990)**  
**(tons)**

	NPK 20-10-10	NPK 12-06-20	Urea	Sulfate of Ammonium	Total
Total Contract	11000.0	2000.0	4500.0	3500.0	21000.0
Total Collected	10327.8	1757.3	4193.8	4204.4	20483.2
Percentage	93.9%	87.9%	93.2%	120.1%	97.5%
Distributed:					
COOPACROM	930.0	394.0	800.0	410.0	2534.0
COOPAGRIL	493.0	45.5	542.5	103.5	1184.5
COOPLACARM	1792.0	228.0	622.3	597.0	3239.3
COOPLAM	2857.2	429.8	823.0	1501.0	5611.0
COOPLAMEL	3013.2	634.0	660.0	701.0	5008.2
COOPROCAM	0.0	0.0	0.0	0.0	0.0
COOPRODICAM	306.0	10.0	96.0	60.0	472.0
COOVENPROVEX	137.0	0.0	76.3	128.0	341.3
SOCOPLACACAM	13.5	10.0	2.0	30.0	55.5
SOCOPEM Mungo	579.0	0.0	365.0	171.0	1115.0
Others	206.9	6.0	206.7	342.2	761.7
Total Distributed	10327.8	1757.3	4193.8	4043.7	20322.5
Percentage	100.0%	100.0%	100.0%	96.2%	99.2%
Total Stocks	0	0	0	160.7	160.7

ordered. At the end of the 1989 campaign, UCAL retains in its own stock only a few hundred tons of each type of fertilizer.

UCAL's pricing structure is shown in Exhibit E-3. The farmer is paying FCFA 3000 per sack for all types of fertilizer compared to FCFA 2600 last year (a 15% increase). Figures in the "average" column are based on the average cost of all types of fertilizer and average transport and margins. According to the margin figures, member cooperatives were subsidizing distribution costs to the extent of FCFA 1000 per ton. Figures in the "imputed" column apply average transport costs and margins to the actual costs of each type of fertilizer, indicating that the substantial margin on ammonium sulfate, which at FCFA 3000 per sack was well above the cost to cooperatives of about FCFA 2767 per sack, was more than offset by losses on all other types.

Since the new producer prices for robusta coffee have been announced (FCFA 175/kg) UCAL and its member cooperatives are reluctant to add to their fertilizer stocks since they fear that planters will not see the benefit of using it. The purchasing power of growers is in any case eroded by the continued inability of the ONCPB to make up arrears in payment for coffee. Orders for the 1990 program are therefore likely to be considerably smaller than in 1989.

Asked about their non-observance of the terms of their contract with IBEX, which called for lifting of at least 300 tons/day from the port, and the fact that they are liable for port storage charges, the UCAL Director General stated that IBEX also did not observe the terms of the contract since they were to deliver fertilizer in August and did not do so until October. The Director General feels that since both parties are in default, the contract is no longer binding.

UCAL's financial affairs since its founding in 1986 have been largely in the hands of ONCPB. To cover the cost of importing 21,000 tons of fertilizer for the 1988/89 crop year (1988 FSSRP program year) through CAMATREX and Aminou at a cost of FCFA 822,882,000, UCAL made an initial payment of FCFA 36 million in cash and the rest was covered by guarantees (traites) countersigned by ONCPB. These traies were cashed in by the importers in March 1989 and UCAL's account at ONCPB was then debited by FCFA 786 million.

By early 1989, UCAL had a credit balance with ONCPB of FCFA 4.563 million from the sale of 9,160 tons of robusta coffee for the 1988/89 crop year. UCAL later received 1,722 million in cash from this account, which went to member cooperatives in partial payment for deliveries of coffee by planters. Deducting FCFA 774 million for fertilizer costs covered by ONCPB, and a further payment to cooperatives of FCFA 1.1 million from STABEX funds, leaves a balance owed to UCAL and its member cooperatives by ONCPB of about FCFA 952 million.

ONCPB's severe financial constraints continued in the 1989/90 crop year. The size of UCAL's fertilizer order for the 1989/90 season (1989 FSSRP program year) was in fact determined by the value of the guarantees

Exhibit E-3  
Distributor's Pricing Structure, UCAL, Littoral Province, 1989

	NPK 20-10-10				NPK 12-06-20				Urea				Ammonium Sulfate			
	Average	Pct.	Imputed	Pct.	Average	Pct.	Imputed	Pct.	Average	Pct.	Imputed	Pct.	Average	Pct.	Imputed	Pct.
Clf Douala Price, Avg.	50,770	84.6			50,770	84.6			50,770	84.6			50,770	84.6		
Clf Douala Price, Actual			51,800	86.3			51,800	86.3			50,900	84.8			45,100	75.2
Transport to Member Cooperative	6,000	10.0	6,000	10.0	6,000	10.0	6,000	10.0	6,000	10.0	6,000	10.0	6,000	10.0	6,000	10.0
Union's Margin	1,230	2.1	1,230	2.1	1,230	2.1	1,230	2.1	1,230	2.1	1,230	2.1	1,230	2.1	1,230	2.1
Transport/Handling to Farmer	3,000	5.0	3,000	5.0	3,000	5.0	3,000	5.0	3,000	5.0	3,000	5.0	3,000	5.0	3,000	5.0
Member Cooperative's Margin	(1,000)	-1.7	(2,030)	-3.4	(1,000)	-1.7	(2,030)	-3.4	(1,000)	-1.7	(1,130)	-1.9	(1,000)	-1.7	4,670	7.8
Price to Farmer Per ton	60,000	100.0	60,000	100.0	60,000	100.0	60,000	100.0	60,000	100.0	60,000	100.0	60,000	100.0	60,000	100.0
Per 50 kg. bag	3,000		3,000		3,000		3,000		3,000		3,000		3,000		3,000	
Ceiling Price Per ton	79,600		79,600		76,000		76,000		68,100		68,100		53,600		53,600	
Per 50 kg. bag	3,980		3,980		3,800		3,800		3,405		3,405		2,680		2,680	
Farmer Price as Pct. of Ceiling Price	75.4%		75.4%		78.9%		78.9%		88.1%		88.1%		111.9%		111.9%	

(traites) ONCPB was able to issue on its behalf. While UCAL's balance with ONCPB would have been sufficient to purchase 16,000 tons of fertilizer (the tonnage which UCAL had already contracted for with IBEX), ONCPB agreed to issue traites sufficient only for the purchase of 10,000 tons. UCAL then renegotiated its contract with IBEX for the reduced tonnage. Payments amounting to FCFA 507 million are to be made in four installments, each covered by an ONCPB traite which could be cashed in by IBEX at the due date.

In connection with these latter negotiations, UCAL objects to the fact that ONCPB is holding funds due the cooperative for deliveries of coffee from the 1988/89 crop year and using them to guarantee payment for fertilizer to be applied in the 1989/90 crop year. This practice is referred to as "using last year's coffee payment arrears to guarantee purchase of this year's fertilizer". UCAL points out that ONCPB is not fulfilling its function of prefinancing the coffee crop, depriving the cooperative of working capital, and holding it hostage to ONCPB actions beyond its control.

Liberalization of coffee marketing, which is now being instituted in Cameroon, was expected to help free UCAL of some of these constraints. A recent government decree appears to allow some freedom to qualified entities, including UCAL, to export coffee directly. In practice, however, UCAL finds it has limited freedom of action. It has been allocated a quota equal to 2% of the Cameroon's total production of 100,000 tons, or 2000 tons. Authorization to export is granted only by ONCPB and is rarely for the full quota amount. As a result, UCAL doesn't see this form of direct export as a real solution to its problems.

### 3. Union Centrale des Cooperatives Agricoles de l'Ouest (UCCAO)

M. Emmanuel Djieya, Assistant Director of Agricultural Operations, provided information on UCCAO's fertilizer operations under the 1989 FSSRP program. Purchases amounted to 10,000 tons of 20-10-10 and 5000 tons of urea. Offers in response to a tender were received from CAMATREX, ADER, IBEX, Ferida, Plantera, Retcamchim and HD. UCCAO was able to negotiate very favorable prices with CAMATREX: FCFA 28,879 per ton for 20-10-10 and FCFA 36,990 per ton for urea.

UCCAO is paying CAMATREX on a cash basis weekly as it lifts fertilizer from the port. As of 31 January 1990, 8,498 tons or about 57% of the amount ordered had been moved to warehouses of member cooperatives. This is slower than the rate of 300 to 350 tons/day provided for in UCCAO's contract with CAMATREX. UCCAO states that this was caused by a shortage of trucks, and that it was necessary to rent vehicles to achieve even the slower rate of lifting. It is expected that the full amount will be lifted by 10 March 1990.

Distribution of fertilizer imported for the 1989 program is shown in Exhibit E-4. All the ordered urea has been delivered to the cooperatives, but only 69% of the 20-10-10. UCCAO retains in its own warehouses 2250

**Exhibit E-4**  
**Distribution of 1989 Fertilizer, UCCAO**  
**(As of 31 January 1990)**  
**(Tons)**

	NPK 20-10-10	Urea	Total
<b>Total Contract Amount</b>	10,000.0	5,000.0	15,000.0
<b>Total Collected</b>	7,318.5	1,116.0	8,434.5
<b>Percentage</b>	73.2%	22.3%	56.2%
<b>Distributed:</b>			
<b>CAPLABAM</b>	1,652.0	99.0	1,751.0
<b>CAPLAHN</b>	549.9	225.0	774.9
<b>CAPLAME</b>	1,387.0	118.0	1,505.0
<b>CAPLAMI</b>	750.0	449.0	1,199.0
<b>CAPLANDE</b>	400.0	225.0	625.0
<b>CAPLANOUN</b>	329.0	0.0	329.0
<b>Total Distributed</b>	5,067.9	1,116.0	6,183.9
<b>Percentage</b>	69.2%	100.0%	73.3%
<b>Total Stocks</b>	2250.6	0.0	2250.6

tons of 20-10-10. CAMATREX is delivering 20-10-10 to UCCAO from a shipment originally intended for NWCA, which was unable to arrange payment at the time of arrival.

Exhibit E-5 gives similar information for 1988 imports by UCCAO. All the ordered fertilizer has been delivered, except for the small amount representing losses in shipment, for which the importer compensates UCCAO. The figures indicate that member cooperatives have sold only about 55% of the amount they received. In excess of 13,000 tons is still stocked by these cooperatives. This was the reason that UCCAO ordered in 1989 only half of the amount ordered in 1988. Large stocks of NPK 12-06-20 are explained by the fact that this type of fertilizer is mainly used on the March-April application on coffee trees, so these stocks will be drawn down at that time.

UCCAO reports that as a result of the economic crisis, and the general reduction in economic activity, transportation costs have been dropping steadily. As an example, the cost of transporting fertilizer from Douala to Bafoussam was FCFA 10,000 tons in 1988 whereas it is FCFA 7000 to 7500 per ton at present.

As indicated in Exhibit E-6, UCCAO established a uniform price of FCFA 2500 per sack for all types of fertilizer sold during the present season, including stocks of other types remaining from the 1988/89 season. This is lower than the uniform price of FCFA 2750 per sack for the previous year. This was possible because the cooperative paid FCFA 28,879 per ton for urea in 1989 against FCFA 35,340 last year. At the union level, UCCAO does not realize any margin on these sales. However, margins are realized by member cooperatives and in the case of urea these are very large. NPK 20-10-10 cost slightly less in 1989, FCFA 36,999/ton vs. FCFA 38,440/ton, and margins to cooperatives are much more modest.

UCCAO management is greatly concerned about the effect on arabica production of the new pricing structure. Production costs for arabica are estimated at FCFA 600/kg., while producer prices for the coming season are only FCFA 250/kg. UCCAO is responding to this situation in three ways: by paying farmers cash for coffee on delivery, by improving the quality of the coffee it markets so as to obtain the highest possible price, and by aiding coffee farmers to diversify their production. Currently 17 treatment centers for depulping coffee cherries under controlled conditions are being constructed. A total of 30 such centers are planned. Farmers are also being instructed on improved methods of drying coffee cherries prior to delivery to treatment centers. Information is also being distributed on recommended fertilizer application rates and types for vegetable crops, maize and bananas.

#### 4. COOPROVINOUN

This food crop cooperative, located in Foubot (Noun Division of the West Province) last year imported 5000 tons of ammonium sulfate and disposed of it to members at a profit. Emboldened by this success, and

**Exhibit E-5**  
**Distribution of 1988 Fertilizer, UCCAO**  
**(As of 31 January 1989)**  
**(Tons)**

	NPK 20-10-10	NPK 12-06-20	Urea	Total
Total Contract Amount	10,000.0	10,000.0	10,000.0	30,000.0
Total Collected	9,832.8	9,838.7	9,855.0	29,526.5
Percentage	98.3%	98.4%	98.6%	98.4%
Distributed:				
CAPLABAM	1,941.8	3,045.0	2,000.0	6,986.8
CAPLAHN	485.0	852.0	530.0	1,867.0
CAPLAME	3,000.0	1,000.0	2,998.0	6,998.0
CAPLAMI	1,000.0	500.0	500.0	2,000.0
CAPLANDE	474.0	465.7	496.0	1,435.7
CAPLANOUN	2,029.0	1,468.0	1,602.0	5,099.0
UCCAO Stock	903.0	2,508.0	1,729.0	5,140.0
Total Distributed	9,832.8	9,838.7	9,855.0	29,526.5
Percentage	100.0%	100.0%	100.0%	100.0%
Total Sales	7,861.5	2,364.2	6,172.9	16,398.6
Percentage	80.0%	24.0%	62.6%	55.5%
Total Stocks	1,971.3	7,474.5	3,682.1	13,127.9
Percentage	20.0%	76.0%	37.4%	44.5%

**Exhibit E-6**  
**Distributor's Pricing Structure, UCCAO**  
**West Province, 1989**

	NPK 20-10-10		Urea	
	<u>Av. Price</u> (CFA)	<u>Percent</u>	<u>Av. Price</u> (CFA)	<u>Percent</u>
CIF Douala Price, Actual	36,999	74.0	28,879	57.8
Transport to Member Cooperative	8,763	17.5	8,668	17.3
Union's Margin	0	0.0	0	0.0
Transport/Handling to Farmer	2,000	4.0	2,000	4.0
Member Cooperative's Margin	2,239	4.5	10,454	20.9
Price to Farmer				
Per ton	50,000	100.0	50,000	100.0
Per 50 kg. bag	2,500		2,500	
Ceiling Price				
Per ton	86,100		74,600	
Per 50 kg. bag	4,305		3,730	
Farmer Price as Percent of Ceiling Price	58.1%		67.0%	

**Exhibit E-7**  
**Distribution of 1989 Fertilizer, COOPROVINOUN**  
**(As of 14 February 1990)**

	<u>All Types</u> (Tons)	<u>Percent</u>
	Total Contract Amount	11,000.0
Total Collected	2,257.2	20.5%
Sales to CDC	646.0	
Direct Sales	333.5	14.8%
Total Stocks	1,277.7	56.6%

counting on sales of tomatoes to a tomato paste plant being constructed locally, they ordered 11,000 tons (6000 tons of Ammonium Sulfate, 4500 tons of 20-10-10, and 500 tons of urea) from CAMATREX in 1989. According to the cooperative, they received also offers from ADER and IBEX but CAMATREX's was the lowest.

As indicated in Exhibit E-7, only 2257 tons had been lifted from the port as of 14 February according to the importer. The cooperative reports that they plan to lift only 2500 tons total. They state that they will not take delivery of the rest of its order, citing poor sales and lack of funds as the reason for not honoring its contract.

Prices paid for each type of fertilizer are indicated in Exhibit E-8. Due to difficulty in arranging transport from Douala, the cooperative negotiated a contract with CAMATREX which included transport to Founbot at the rate of FCFA 8500/ton. The total amount due the importer was FCFA 125 million.

Payment terms were that the cooperative would pay 25 million cash and the balance would be financed through Meridien Bank. The Bafoussam branch of the Meridien Bank agreed to a loan for the FCFA 100 million balance at commercial rates (18%) and paid out the full amount to CAMATREX. Later, COOPROVINOUN decided to handle transportation itself and was reimbursed by CAMATREX for the approximately FCFA 25 million transport cost portion of the contract. Instead of turning over this money to Meridien so as to draw down its FCFA 100 million overdraft with them, as the bank wanted, COOPROVINOUN's management used the funds for other purposes.

COOPROVINOUN states that they had understood they were getting an FSSRP loan at 8.5% and only found out differently when they received the loan documents and by then it was too late to renegotiate. The cooperative paid the FCFA 25 million advance to CAMATREX by check (which Meridien Bank/ Bafoussam states was not honored when presented for payment by the importer due to insufficient funds). Concerned about COOPROVINOUN's financial standing, Meridien imposed controls on movement of the fertilizer from the cooperative's warehouse, putting a separate lock on the warehouse door and placing a bank employee at the cooperative to release fertilizer to buyers and receive payment. The cooperative claims that this person is not present during the early morning and evening hours when farmers normally come to purchase, and this is hindering sales.

As of mid-February, COOPROVINOUN had managed to sell only 979.5 tons, of which 646 tons to the Cameroon Development Corp. and the balance to members (Exhibit 18). The price to members for all types of fertilizer is FCFA 2830 per sack (compared to FCFA 3100 for Ammonium Sulfate last year). At this price, the cooperative is losing money on both urea and 20-10-10, but claims they have to compete with near-by UCCA0 selling at FCFA 2500/sack, and CAMATREX itself selling retail at the same price in Founbot. They state that this situation has caused a serious loss of confidence in the cooperative by members.

**Exhibit E-8**  
**Distributor's Pricing Structure, COOPROVINOUN**  
**West Province, 1989**

	NPK 20-10-10		Urea		Ammonium Sulfate	
	Average	Pct.	Average	Pct.	Average	Pct.
<b>CIF Douala Price, Actual</b>	<b>45,100</b>	<b>79.7</b>	<b>45,100</b>	<b>79.7</b>	<b>37,499</b>	<b>66.3</b>
<b>Transport to Member Cooperative</b>	<b>8,500</b>	<b>15.0</b>	<b>8,500</b>	<b>15.0</b>	<b>8,500</b>	<b>15.0</b>
<b>Union's Margin</b>	<b>(6,784)</b>	<b>-12.0</b>	<b>(6,784)</b>	<b>-12.0</b>	<b>817</b>	<b>1.4</b>
<b>Transport/Handling to Farmer</b>	<b>9,784</b>	<b>17.3</b>	<b>9,784</b>	<b>17.3</b>	<b>9,784</b>	<b>17.3</b>
<b>Price to Farmer</b>						
Per ton	<b>56,600</b>	<b>100.0</b>	<b>56,600</b>	<b>100.0</b>	<b>56,600</b>	<b>100.0</b>
Per 50 kg. bag	<b>2,830</b>		<b>2,830</b>		<b>2,830</b>	
<b>Ceiling Price</b>						
Per ton	<b>86,100</b>		<b>74,600</b>		<b>60,100</b>	
Per 50 kg. bag	<b>4,305</b>		<b>3,730</b>		<b>3,005</b>	
<b>Farmer Price as Pct. of Ceiling Price</b>	<b>65.7%</b>		<b>75.9%</b>		<b>94.2%</b>	

By COOPROVINOUN's calculations, if the full 2500 tons is sold at prices as stated, and taking into account all operating costs related to fertilizer, they will lose about FCFA 8.5 million. Because of this situation, and the loss of confidence due to prices mentioned above, managers of the cooperative are greatly concerned about the future of the organization.

#### 5. North West Cooperative Association

For fertilizer imports under the 1989 program, NWCA issued a call for tenders in July. Offers were received from Pelenget, CAMATREX, RETCAMCHEM, and IBEX. CAMATREX's offer was accepted and a contract was signed on 28 July 1989 for the delivery of 7000 tons of 20-10-10, 2200 tons of ammonium sulfate, 600 tons of urea and 100 tons each of 12-06-20 and 10-30-10. Total value of the purchase was FCFA 494 million. Delivery was to be FOB the customer's trucks at Douala with a minimum lifting rate of 340 tons/day. If NWCA were unable to lift the fertilizer CAMATREX would deliver to Bamenda at a cost of FCFA 10,000 per ton.

Payment to CAMATREX was to be by guaranteed bank draft for FCFA 400 million payable 90 days from contract date (by which date the importer was to have completed delivery), plus FCFA 94 million cash. Unfortunately NWCA chose to make payment through BIAO, a bank with serious liquidity problems. NWCA deposited FCFA 400 million in BIAO, which it obtained from a loan extended by CAMCCUL, a credit union. BIAO was unable to pay these funds to CAMATREX at the due date, forcing NWCA to request delayed delivery of the fertilizer. Later BIAO was able to pay out 250 million of this amount, which together with the cash payment came to 344 million paid to CAMATREX as of late February 1990. As of this date BIAO has been unable to pay the remaining 150 million.

Due to the delay in payment, CAMATREX diverted the 20-10-10 intended for NWCA to UCCAO, whom they had been unable to supply because a requested import loan and subsidy earmarking had not been received. The 2800 tons of urea and ammonium sulfate has been received by NWCA and distributed to member cooperatives. Even though the amount already paid CAMATREX is sufficient to pay for 4,328 tons of 20-10-10, CAMATREX does not have stock available to deliver. NWCA's need is urgent as March is the normal time for application on coffee trees. As of late February 1990, NWCA is seeking a way to obtain at least the minimum need amount (about 3500 tons) through IBEX, which has sufficient 20-10-10 in stock.<sup>1</sup>

As was the case last year, NWCA's financial situation is strongly affected by arrears in coffee payments from ONCPB. These arrears are for bonus payments for the 1987/88 season and prefinancing payments for the 1988/89 season, totaling FCFA 3.8 billion. NWCA has distributed fertilizer on credit to cooperatives and other organizations and is currently owed FCFA 230 million. It is unable to collect this debt until

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<sup>1</sup>See Appendix A for an update on this situation.

it receives payment for coffee already delivered to ONCPB. This was the reason the cooperative had to borrow from the credit union to finance 1989 purchases of fertilizer.

The 2800 tons received by NWCA was transported from Douala to Bamenda and on to cooperative union warehouses by five independent transporters. As of mid-February 1990, this fertilizer had not reached member cooperatives. For the balance of the order it is planned to hire four transport companies, except for a small amount to be carried by cooperative-owned vehicles.

Disposition of stocks ordered in 1988 is shown in Exhibit E-9. Of the 7000 tons received, 6427 tons has been distributed by member cooperatives, and 651 tons remained in storage at NWCA's central warehouse.

Prices established by NWCA for the 1989/90 season are shown in Exhibit E-10, while Exhibit E-11 presents an analysis of NWCA's pricing structure for 1989. NWCA established different prices for each of the cooperative unions; the weighted average for all locations is the one used in Exhibit E-11. NWCA paid roughly 30% more CIF Douala in 1989 than in 1988 for 20-10-10 and urea, and 8% more for ammonium sulfate, but increased its prices to farmers only 15% for 20-10-10, 25% for urea, and 10% for ammonium sulfate. Prices for 20-10-10 and urea are well below the target prices established for the North West. Only Ammonium Sulfate is priced near the target price. Margins at the NWCA, Union, and cooperative level are in the 2% to 5% range.

NWCA applied through BIAO for a distribution loan of FCFA 400 million which it had hoped would provide them some working capital. The application apparently is still somewhere in BIAO as it has not reached the Fiduciary Bank. The BIAO branch manager in Bamenda states that one form (a certificate that NWCA has been engaged in fertilizer distribution in the past) is missing from the file. Due to BIAO's current condition, it appears to be very difficult to track down the NWCA file. NWCA has been advised to either submit a new application through a different bank, or make a concerted effort to locate the existing application.

## 5. SOCOTRA

SOCOTRA is a transport company based in Nkongsamba which is participating in the program for the first time. Information was provided by M. Emmanuel Tchekounang, Director. The company owns 26 trucks, including 4 of 25 tons capacity, 6 of 12 tons and 10 of 7 tons. Its employees number 40. Offices are located in Douala and Melong, in addition to Nkongsamba, and a warehouse with capacity of 7000 tons of fertilizer is located in Melong.

SOCOTRA bought 2500 tons of fertilizer through CAMATREX, consisting of 800 tons of 20-10-10, 1000 tons of Urea, and 700 tons of ammonium

**Exhibit E-9**  
**Distribution of 1988 Fertilizer, NWCA**  
**(tons)**

	NPK 20-10-10	Ammonium Sulfate	Urea	Total
Carry-over	0	6	73	79
Total contract amount	5300	1000	700	7000
Total Collected	5305	1000	694	6999
Percentage	100	100	99.1	100
<b>Distributed</b>				
Bali	267	24	14	305
Bamenda Central	374	92	45	511
Kom	816	198	157	1171
Mbengwi	60	8	3	71
Moghamo	301	101	2	404
Ndop	300	119	196	615
Nkamba	450	10	12	472
Nso	1019	118	5	1142
Oku-Noni	459	132	9	600
Pinyin	241	39	12	292
Santa	562	127	104	793
Direct NWCA Sales	16	1	35	51
Total Distributed	4865	969	594	6427
Percentage	91.7			
Total Stocks	440	37	174	651

**Exhibit E-10  
NWCA's 1989/90 Retail Prices  
(CFA)**

<u>Union</u>	<u>NPK</u> <u>20-10-10</u>	<u>Urea</u>	<u>Ammonium</u> <u>Sulfate</u>
Oku-Noni	3,900	3,650	3,200
Nkambe	3,900	3,650	3,200
Nso	3,800	3,600	3,100
Kom	3,750	3,600	3,100
Moghamo	3,700	3,550	3,000
Ndop	3,700	3,550	3,000
Mbengwi	3,650	3,500	3,000
Pinyin	3,550	3,500	3,000
Bali	3,550	3,400	3,000
Santa	3,500	3,300	3,000
Bamenda Central	3,500	3,300	3,000
<b>Weighted Average</b>	<b>3,689</b>	<b>3,521</b>	<b>3,066</b>

**Exhibit E-1:  
Distributor's Pricing Structure, NWCA, North West Province, 1989**

	NPK 20-10-10		Urea		Ammonium Sulfate	
	<u>Av. Price</u> (CFA)	<u>Percent</u>	<u>Av. Price</u> (CFA)	<u>Percent</u>	<u>Av. Price</u> (CFA)	<u>Percent</u>
CIF Douala Price, Actual	51,997	70.5	50,999	72.4	39,999	65.2
Transport to Central Warehouse	10,000	13.6	10,000	14.2	10,000	16.3
NWCA's Margin	2,000	2.7	1,000	1.4	3,000	4.9
Transport/Handling to Union Level	3,783	5.1	3,783	5.4	3,783	6.2
Union's Margin	4,000	5.4	3,635	5.2	3,540	5.8
Cooperative's Margin	2,000	2.7	1,000	1.4	1,000	1.6
Price to Farmer						
Per ton	73,780	100.0	70,417	100.0	61,322	100.0
Per 50 kg. bag	3,689		3,521		3,066	
Ceiling Price						
Per ton	90,200		78,700		64,200	
Per 50 kg. bag	4,510		3,935		3,210	
Farmer Price as Pct. of Ceiling Price	81.8%		89.5%		95.5%	

**Exhibit E-12  
Distribution of 1989 Fertilizer, SOCOTRA  
(As of 12 February 1990)**

	All Types
Total Contract Amount	2500.0
Total Collected	760.0
Percentage	30.4%
Direct Sales	560.0
Percentage	73.7%
Total Stocks	200.0
Percentage	26.3%

sulfate. Total value of the purchase was FCFA 113 million and payment was by certified check or cash. As indicated in Exhibit E-12, all of this tonnage has been transported to SOCOTRA's warehouse, and all but 200 tons has been sold. Sales are for cash at the warehouse. SOCOTRA's prices, as shown in Exhibit E-13, are well below the target price, and also substantially below UCAL's uniform sales price of FCFA 3000 per sack. It is not surprising that the company is having no trouble disposing of its stock, even though sales are for cash only. If reported transport costs are accurate, gross margins are only about 2%. However it may be that since SOCOTRA is in the transport business, they may have been able to incur much lower transport costs by taking advantage of backhaul opportunities or "topping up" their trucks.

The Director, who is himself a coffee farmer, offered the opinion that fertilizer use on robusta coffee is no longer profitable. His estimates of annual production costs per hectare are as follows:

10 sacks of fertilizer	FCFA 30,000
fertilizer application labor	1,500
weeding (3 times)	30,000
phytosanitary treatment	12,000
pruning (twice)	10,000
harvest labor	<u>18,000</u>
total	101,500

Earnings from coffee at best would be 20 sacks per hectare worth FCFA 5000 per 60 kg. sack, for a total of FCFA 100,000 per hectare (though the average is closer to 10 sacks per hectare).

#### 6. SPNP

La Societe de Plantation Nouvelle de Penja (SPNP) operates a modern banana plantation near Nyombe in the Littoral province. Ownership is 40% private French capital (Compagnie Fruitiere Francaise), 30% private Cameroon capital, 17% French government (Caisse Centrale), and 13% International Finance Corporation. Shares held by the Caisse Centrale and the IFC are to be repurchased by the company progressively as it expands. Information on the company was provided by M. Robert Lacroux, Director.

The FCFA 3 billion investment is covered by a FCFA 600 million equity investment and debt financing of 2.4 billion, of which 1.8 billion from the Caisse Centrale and 600 million from the IFC.

SPNP has a 35 year lease on an area of 2300 ha of which 1500 is cultivatable. Currently 650 hectares are planted, producing in 1989 some 22,000 tons of bananas. By the end of 1990 planted area should reach 950 ha (35,000 tons of bananas) and by 1991 a maximum of 1200 ha (45,000 tons). Twelve hundred persons have full-time employment at the plantation and this figure will reach 1600 at full scale operation.

**Exhibit E-13**  
**Distributor's Pricing Structure, SOCOTRA**  
**West Province, 1989**

	NPK 20-10-10		Urea		Ammonium Sulfate	
	Average	Pct.	Average	Pct.	Average	Pct.
CIF Douala Price, Actual	49,000	90.7	44,790	89.6	41,900	91.1
Transport to Warehouse	4,000	7.4	4,000	8.0	4,000	8.7
Gross Margin	1,000	1.9	1,210	2.4	100	0.2
Price to Farmer						
Per ton	54,000	100.0	50,000	100.0	46,000	100.0
Per 50 kg. bag	2,700		2,500		2,300	
Ceiling Price						
Per ton	79,600		68,100		53,600	
Per 50 kg. bag	3,980		3,405		2,680	
Farmer Price as Pct. of Ceiling Price	67.8%		73.4%		85.8%	

SPNP imported 1,600 tons of subsidized fertilizer (12-06-20, 20-10-10, and urea) through IBEX, plus an additional 700 tons of non-subsidized KCl and magnesium. Since fertilizers are applied to bananas from September through January each year, SPNP negotiated with IBEX a quarterly delivery arrangement which seems to be working satisfactorily. Payment of the first three deliveries is by bill of exchange or traite (which was accepted without guarantee) and the final one by a traite covered by a mortgage on real property. The types of subsidized fertilizer imported do not correspond exactly to their needs. SPNP would prefer to import 50% of their needs in the form of 12-06-24-08 (the latter figure representing Magnesium) and 15-06-30, and 50% in the form of urea and KCl.

Exports of bananas to France is carried out through the Office National de Bananes, a recently privatized parastatal which also handles exports from its own plantations and that of Del Monte. The total exports of 60,000 tons annually is sufficient to keep four refrigerated banana ships shuttling regularly between Douala and Marseille. One shipment leaves Douala each week. Two of these ships are chartered by CAMSHIP from a Dutch company, and two are directly chartered from a French company. In 1990 it is expected that tonnage shipped will reach 75,000.

Cameroon, like Guadeloupe and Martinique, benefits from a protected market in France for bananas. Currently Cameroon's quota is 60,000 tons. Prices were formerly fixed at 20% above the world market price but are now sold at market prices. This protected market arrangement will terminate in 1992 when EC integration is complete. The company is looking at the possibility of new markets in Eastern Europe. It estimates the annual market for bananas in Western Europe and Eastern Europe at 3 million tons each, or a total of 6 million tons (10 kg/person x 300 million inhabitants in each part of Europe). Bananas are valued at FF 3/kg. FOB Douala, plus FF 1.2/kg ocean transport. On arrival at the ripening sheds in Marseille they are valued at FF 5/kg. and are sold to the final consumer at FF 9 - 11 per kg.

## 7. Groupe One

Groupe One is a small trading firm established two years ago in Yaounde. They trade mainly in food crops for sale within Cameroon. In 1989 they imported 1351 tons of subsidized urea through IBEX at a cost of FCFA 68 million, plus 1930 tons of KCl and 1000 tons of DAP. Total value of the purchase was FCFA 400 million. Payment terms were not specified. The company picked up the fertilizer within 45 days of delivery as specified in their contract of 4 September 1989 and have since sold the entire tonnage. Buyers included CAMSUCRO, MAIZECAM, and SOSUCAM. The Director of Administrative and Financial Services, M. James Mvondo, states that his company received full payment from his customers, although apparently at least part of the payment was in kind, including sugar. The Director General, M. Assam Mvondo, was not present.

Groupe One is optimistic about fertilizer sales prospects in the Center Province. They feel they could sell 3500 tons in 1990, but are

short of cash to pay for this much. They were not aware of the FSSRP distribution loan facility, so were advised to get information on the program at USAID. The company would like eventually to go into retail sales of fertilizer.

#### 8. Other Distributors

A number of other distributors who received offers from importers, or in some cases even signed contracts, did not purchase fertilizer. These companies, and the prospective tonnages, are as follows:

Aminou & Co., Douala	12,800 tons
Ets. LATANI, Douala	2,000 tons
Ets. NTOPA, Douala	7,500 tons
WAGA & Assoc., Yaounde	2,300 tons

From the information available, it is not possible to say if this 24,600 tons represents additional unsatisfied demand for fertilizer. Difficulty in arranging financing was certainly caused some of these distributors to withdraw, but it seems likely that uncertainty about the market under current economic conditions in Cameroon was also a factor.

## APPENDIX F

Summary Table of Target Prices and Subsidies by Province 1/

	NPK 20-10-10	NPK 12-06-20	NPK 10-30-10	Ammonium Sulfate	Urea
<b>Center Province 2/</b>					
- Subsidized target price, farm gate	91,300	88,100	92,900	63,500	79,000
- Unit subsidy	28,200	27,000	28,700	17,300	23,800
<b>East Province</b>					
- Subsidized target price, farm gate	106,400	103,200	108,000	78,600	94,100
- Unit subsidy	28,200	27,000	28,700	17,300	23,800
<b>Littoral Province</b>					
- Subsidized target price, farm gate	79,600	76,600	81,100	53,600	68,100
- Unit subsidy	28,200	27,000	28,700	17,300	23,800
<b>West Province</b>					
- Subsidized target price, farm gate	86,100	83,100	87,600	60,100	74,600
- Unit subsidy	28,200	27,000	28,700	17,300	23,800
<b>North West Province</b>					
- Subsidized target price, farm gate	90,200	87,100	91,700	64,200	78,700
- Unit subsidy	28,200	27,000	28,700	17,300	23,800
<b>South Province</b>					
- Subsidized target price, farm gate	96,100	92,800	97,600	68,200	83,800
- Unit subsidy	28,200	27,000	28,700	17,300	23,800
<b>South West Province</b>					
- Subsidized target price, farm gate	85,700	82,700	87,200	59,700	74,200
- Unit subsidy	28,200	27,000	28,700	17,300	23,800

1/ Figures are expressed in CFA Francs/ton. The total of the subsidized target ceiling prices delivered to the farmer and the unit subsidy is equal to the total delivered price, including all profit margins.

2/ The provinces of Adamaoua, North, and Extreme North are not included in this decree since they are covered by the Special Fertilizer Import Program.

APPENDIX G  
LIST OF PERSONS CONTACTED

Technical Supervisory Committee

- M. Mohamadou Talba, President  
Secretary General, Ministry of Plan and Regional Development
- M. Felix Nkonabang, Director, Sub-Directorate of Agricultural  
Production, Ministry of Agriculture
- M. Gabriel Ebayah, Charge d'Etudes, Ministry of Plan and Regional  
Development
- M. Augustin Fongang, Ministry of Finance

Fiduciary Bank

- Mr. R. Selvaraju, Manager, Operations and Credit, Bank of Credit  
and Commerce

Commercial Banks

- Mr. Mohindra P. Dhall, Deputy General Manager, Meridien Bank (Douala)
- Mr. Robert J. Barry, Corporate Branch Manager, Meridien Bank (Douala)
- Mr. Protus Gwanmesia Nkom, Manager, Bafoussam Branch, Meridien Bank
- M. Arthur Kamssue, Assistant Credit Manager, BICIC (Douala)

Importers

- Mr. Betru Gebregziabher, Director General, IBEX (Douala)
- Mr. Gebreyes Begna, Managing Director, CAMATREX (Douala)
- Dr. Michael Geh, Deputy Manager, CAMATREX (Douala)
- M. Bernard LeBlanc, Director General, ADER Cameroon S.A.
- M. Gerard Brudi, Director General, Rhone-Poulenc Agrochimie

Distributors

- M. Lazare Sema Djoumbi, Director General, Union des Cooperatives  
Agricoles du Littoral (UCAL) (Nkongsamba)
- M. Emmanuel Djieya, Asst. Director of Operations, Union Centrale des  
Cooperatives de l'Ouest (UCCAO) (Bafoussam)
- Mr. John Ndi Akwar, Chief of Farm Support Service, North West  
Cooperative Association (Bamenda)
- M. Pierre Elobo, Charge de Mission, Union des Cooperatives des Planteurs  
de Cacao et de Cafe du Centre (UCAC), Yaounde
- M. C. Isofa, Manager, COOPROVINOUN, Foumbot
- M. Emmanuel Tchekounang, Manager, SOCOTRA
- M. Emmanuel Okomounou, Administrative Manager, Groupe One,  
Cameroon, Yaounde
- M. Robert Lacroux, SPNP, Nyombe
- M. Dennis Mbock, Provincial Agriculture Delegate, Center Province